ELEMENT LIFESTYLE RETIREMENT INC.

Unaudited Condensed Consolidated Interim Financial Statements

Three Months Ended August 31, 2017 and 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 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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FINANCIAL STATEMENTS

ELEMENT LIFESTYLE RETIREMENT INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars - Unaudited)
(Exhibit I)

As at	August 31, 2017	May 31, 2017
ASSETS		
Current		
Cash	$ **4,424,127**	$ 4,244,764
Trade and other receivables (*Note 4*)	**5,422**	143
Prepaid expenses *(Note 5)*	**183,908**	5,905
	4,613,457	4,250,812
Non-current		
Property and equipment (*Note 6*)	**401,449**	421,194
Property under development *(Note 7)*	**7,036,839**	56,819
Trade-marks (*Note 8*)	**14,980**	14,338
Total assets	$ **12,066,725**	$ 4,743,163
LIABILITIES		
Current		
Trade and other payables (*Note 9*)	$ **178,378**	$ 101,483
Deferred revenue (*Note 15*)	**1,142,573**	1,860,404
	1,320,951	1,961,887
Non-current		
Mortgage loan *(Note 10)*	**3,500,000**	-
Convertible debentures *(Note 11)*	**2,381,196**	-
	7,202,147	1,961,887
SHAREHOLDERS' EQUITY		
Share capital *(Note 12 and Exhibit III)*	**9,211,522**	6,682,300
Subscriptions received in advance *(Note 13)*	**-**	580,000
Share issuance costs *(Exhibit III)*	**(257,635)**	(225,482)
Reserve - options (*Exhibit III*)	**109,541**	109,541
Equity component of convertible debentures *(Note 11)*	**49,162**	-
Contributed surplus (*Exhibit III*)	**24,656**	24,656
Deficit *(Exhibit III)*	**(4,272,668)**	(4,389,739)
	4,864,578	2,781,276
Total liabilities and shareholders' equity	$ **12,066,725**	$ 4,743,163

On behalf of the Board

"Don Ho" Director

"Stanley Kwok" Director

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

ELEMENT LIFESTYLE RETIREMENT INC.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

(Expressed in Canadian dollars - Unaudited)

(Exhibit II)

For the three months ended August 31	**2017**	2016
REVENUE		
Consulting fees	$ **683,649**	$ -
EXPENSES		
Amortization	**19,745**	24,059
Consulting fees	**17,275**	36,644
General and administration	**45,573**	46,810
Interest expense on convertible debt	**1,080**	-
Marketing and promotion	**1,322**	22,775
Professional fees	**48,096**	9,912
Rent	**31,406**	30,990
Salaries, wages and benefits	**377,560**	340,537
Travel	**24,521**	28,367
	566,578	540,094
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	$ **117,071**	$ (540,094)
Basic and diluted income (loss) per common share	$ **0.00**	$ (0.01)
Weighted average number of shares outstanding	**61,268,835**	54,170,449

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

ELEMENT LIFESTYLE RETIREMENT INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian dollars - Unaudited)
(Exhibit III)

	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, 2016	53,102,189	$ 5,972,500	$ 24,656	$ -	$ -	$ 88,893	$ (225,482)	$ (2,637,907)	$ 3,222,660
Shares issued - private placement *(Note 12)*	2,730,000	709,800	-	-	-	-	-	-	709,800
Comprehensive loss for the period	-	-	-	-	-	-	-	(540,094)	(540,094)
Balance, August 31, 2016	55,832,189	$ 6,682,300	$ 24,656	$ -	$ -	$ 88,893	$ (225,482)	$ (3,178,001)	$ 3,392,366

	Common shares outstanding	Paid-in capital	Warrants	Contributed surplus	Equity component of convertible debenture	Stock-based compensation reserve	Share issuance costs	Deficit	Total
Balance, May 31, 2017	55,832,189	$ 7,262,300	$ -	$ 24,656	$ -	$ 109,541	$ (225,482)	$ (4,389,739)	$ 2,781,276
Shares issued - private placement *(Note 12)*	12,646,111	1,949,222	-	-	-	-	-	-	1,949,222
Equity component of convertible debenture *(Note 11)*	-	-	-	-	49,162	-	-	-	49,162
Share issuance cost	-	-	-	-	-	-	(32,153)	-	(32,153)
Comprehensive income for the period	-	-	-	-	-	-	-	117,071	117,071
Balance, August 31, 2017	68,478,300	$ 9,211,522	$ -	$ 24,656	$ 49,162	$ 109,541	$ (257,635)	$ (4,272,668)	$ 4,864,578

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

ELEMENT LIFESTYLE RETIREMENT INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars - Unaudited)
(Exhibit IV)

For the three months ended August 31		**2017**		2016
CASH FLOWS USED IN OPERATING ACTIVITIES				
Net income for the period	$	**117,071**	$	(540,094)
Items not affecting cash:				
Amortization		**19,745**		24,059
Accretion on convertible debenture		**117**		-
Changes in non-cash working capital:				
Trade and other receivables		**(5,279)**		(7,139)
Prepaid expenses		**(178,003)**		(16,606)
Trade and other payables		**16,895**		(16,560)
Deferred revenue		**(717,831)**		-
		(747,285)		(556,340)
CASH FLOWS USED IN INVESTING ACTIVITIES				
Purchase of property under development		**(6,980,020)**		-
Purchase of trade-marks		**(642)**		-
Purchase of property and equipment		**-**		(76,863)
		(6,980,662)		(76,863)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from mortgage loan		**3,500,000**		-
Issuance of convertible debentures, net of costs		**2,490,241**		-
Issuance of units, net of costs		**1,917,069**		709,800
		7,907,310		709,800
CHANGE IN CASH DURING THE PERIOD		**179,363**		76,597
CASH, BEGINNING OF THE PERIOD		**4,244,764**		3,737,092
CASH, END OF THE PERIOD	$	**4,424,127**	$	3,813,689

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Nature of operations

Element Lifestyle Retirement Inc. (the "Company" or "ELM") (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 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 condensed 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.), Element Lifestyle Retirement (Hong Kong) Ltd. (formerly Team Host Development Ltd.), and Element Lifestyle (Vic Harbour West) Inc.

Going concern

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.

The Company has experienced annual operating losses and negative operating cash flows since inception and has no assurances that sufficient financing will be available to continue in operation for the foreseeable future. Ongoing operations are dependent on the Company's ability to obtain public equity financing by the issuance of share capital, generate profitable operations in the future, or secure debt financing.

(All dollar amounts expressed in Canadian dollars)

During the three months ended August 31, 2017 and the year ended May 31, 2017, the Company raised net proceeds in excess of $7.9 million and $0.7 million, respectively, from the issuance of a mortgage loan and from private placements of convertible debentures, common shares and share purchase warrants. To continue development regarding the Bayview property, the Company will require additional financing. While the Company has been successful at raising monies in the past, there can be no assurance that it will be able to do so in the future.

For the three months ended August 31, 2017, the Company recorded consulting fees from the two projects it is currently managing, OPAL by Element and OASIS by Element, of $683,649. As of August 31, 2017, August 31, 2016, and May 31, 2017, the Company reported the following:

For the three months ended August 31		**2017**		2016
Net income (loss) for the period	$	**117,071**	$	(540,094)

As At		**August 31, 2017**		May 31, 2017
Deficit	$	**(4,272,668)**	$	(4,389,739)
Working capital	$	**3,292,506**	$	2,288,925

2. STATEMENT OF COMPLIANCE

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 – Interim Financial Reporting under International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). These condensed consolidated interim financial statements follow the same accounting policies and methods of application as the most recent annual consolidated financial statements of the Company. These condensed consolidated interim financial statements do not contain all of the information required for full annual financial statements. Accordingly, these unaudited condensed consolidated interim financial statements should be read in conjunction with the Company's May 31, 2017, 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 October 25, 2017.

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.

Significant accounting judgments and estimates

The preparation of the unaudited condensed consolidated interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities at the date of the unaudited condensed consolidated interim financial statements and reported amount of revenue and expenses during the reporting period.

The Company bases its estimates and assumptions on current facts, historical experience, and various other factors that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. These estimates require the extensive use of judgment about the nature, cost and timing of the work to be completed, and may change with future changes to costs, environmental laws and regulations and remediation practices. The actual results experienced by the Company may differ materially and adversely from the Company's estimates. To the extent there are material differences between the estimates and the actual results, future results of operations will be affected.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statements of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

(i) The timing of transfer of significant risks of ownership in revenue transactions.

(ii) The recoverability of accounts receivable recorded in the statements of financial position.

(iii) The estimated useful lives of furniture and computer equipment which are included in the statements of financial position and the related amortization included in the statements of comprehensive income (loss).

(iv) The quantification of unrecognized deferred income tax assets.

Accounting standards issued but not yet effective

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company is currently assessing the impact, if any, that these standards might have on its unaudited condensed consolidated interim financial statements.

a) IFRS 9, Financial Instruments (IFRS 9)

In July 2014, the IASB issued IFRS 9. IFRS 9 replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset or liability. It also introduces additional changes relating to financial liabilities and aligns hedge accounting more closely with risk management. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption of the new standard permitted. The Company does not intend to early adopt IFRS 9. The extent of the impact of adoption of IFRS 9 has not yet been determined.

b) IFRS 16, Leases (IFRS 16)

IFRS 16 will replace IAS 17 - Leases. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The standard will be effective for annual periods beginning on or after January 1, 2019, but earlier application is permitted for entities that apply IFRS 15 (Revenue from Contracts with Customers) at or before the date of initial adoption of IFRS 16. The Company is assessing the impact of this new standard, if any, on the unaudited condensed consolidated interim financial statements.

(All dollar amounts expressed in Canadian dollars)

c) IFRS 15, Revenue from Contracts with Customers (IFRS 15)

IFRS 15 is effective for years commencing on or after January 1, 2018, and replaces IAS 11, Construction Contracts, IAS 18, Revenue, IFRIC 13, Customer Loyalty Programmes, IFRIC 15, Agreements for the Construction of Real Estate, IFRIC 18, Transfer of Assets from Customers, and Standing Interpretations Committee ("SIC") 31, Revenue – Barter Transactions Involving Advertising Services. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The extent of the impact of adoption of IFRS 15 has not yet been determined.

d) IFRS 2, Share-based Payment (IFRS 2)

On June 30, 2016, the IASB issued amendments to IFRS 2, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share based payments, share-based payment transactions with a net settlement feature for withholding tax obligations, and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The amendments apply for annual periods beginning on or after January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

4. TRADE AND OTHER RECEIVABLES

		August 31, 2017		May 31, 2017
Advances to employees	$	**2,833**	$	143
Other receivables		**2,589**		-
	$	**5,422**	$	143

No allowance for doubtful accounts has been deemed necessary.

5. PREPAID EXPENSES

		August 31, 2017		May 31, 2017
Prepaid interest on mortgage loan (held in escrow)	$	**164,500**	$	-
Prepaid insurance and other		**19,408**		5,905
	$	**183,908**	$	5,905

(All dollar amounts expressed in Canadian dollars)

6. PROPERTY AND EQUIPMENT

Property and equipment for the three months ended August 31, 2017 and year ended May 31, 2017 were as follows:

	Furniture and fixtures	Computer equipment	Computer software	Leasehold improvements	Total
Cost					
May 31, 2016	$ 23,222	$ 17,946	$ 8,196	$ 93,291	$ 142,655
Additions	37,564	6,538	531	365,926	410,559
Disposals	-	(8,491)	-	-	(8,491)
May 31, 2017	60,786	15,993	8,727	459,217	544,723
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
August 31, 2017	60,786	15,993	8,727	459,217	544,723
Accumulated amortization					
May 31, 2016	6,338	10,336	4,267	42,315	63,256
Additions	7,133	4,109	4,194	49,920	65,356
Disposals	-	(5,083)	-	-	(5,083)
May 31, 2017	13,471	9,362	8,461	92,235	123,529
Additions	2,366	912	66	16,402	19,746
Disposals	-	-	-	-	-
August 31, 2017	15,837	10,274	8,527	108,637	143,275
Net book value					
May 31, 2017	47,315	6,631	266	366,982	421,194
August 31, 2017	$ 44,950	$ 5,719	$ 200	$ 350,580	$ 401,449

7. PROPERTY UNDER DEVELOPMENT

The Company's property under development had a carrying value at August 31, 2017 of $7,036,839 (May 31, 2017: $56,819). Property under development consists of a 1.96-acre property (the "Lands") along the harbourside of Victoria, British Columbia at Bayview Place (the "Bayview project"). On July 28, 2017, the Company incorporated a wholly-owned subsidiary, Element Lifestyle (Vic Harbour West) Inc., which is established for the purposes of developing and operating the Bayview project.

On August 29, 2017, Element completed the purchase of the Lands pursuant to the terms of an amended offer to purchase agreement (the "Agreement") with Focus Equities Inc. ("Focus Equities"). Under the terms of the Agreement, the Company agreed to pay Focus Equities $6.7 million for the Lands. An aggregate of $300,000 had been paid to Focus Equities in deposits against the purchase price, $4.7 million was paid on closing and the balance of $1.7 million is held in trust by the Company's counsel, which will be released and paid to Focus Equities when Focus Equities has completed certain excavation work on the Lands.

(All dollar amounts expressed in Canadian dollars)

Property under development consists of the following:

		August 31, 2017		May 31, 2017
Land	$	**6,919,640**	$	-
Finance and due diligence fees		**75,535**		-
Architectural, environmental, and other professional fees		**41,664**		6,819
Deposit		**-**		50,000
	$	**7,036,839**	$	56,819

Land in the table above includes $1.7 million held in trust by the Company's counsel, which will be released and paid to Focus Equities when Focus Equities has completed certain excavation work on the Bayview project.

Costs for the property under development were not subject to amortization for the three months ended August 31, 2017 or for the year ended May 31, 2017.

8. TRADE-MARKS

As at August 31, 2017, the Company had incurred legal fees of $14,980 regarding three trade-marks.

9. TRADE AND OTHER PAYABLES

		August 31, 2017		May 31, 2017
Trade and other payables	$	**155,160**	$	76,745
Salaries and benefits payable		**18,707**		22,886
GST payable		**4,511**		1,852
	$	**178,378**	$	101,483

10. MORTGAGE LOAN

On July 13, 2017, the Company entered into a commitment letter with Addenda Capital Inc. (the "Lender") pursuant to which the Lender agreed to advance $3,500,000 to fund a portion of the purchase price of the Lands on which the Company's Bayview project is being developed (Note 7).

The advance from the Lender consists of a first mortgage loan with a term of 12 months maturing September 1, 2018, and bearing interest at an annual rate of 4.95%. The mortgage is secured by a conventional first mortgage charge, a first general security agreement as collateral security on all architectural drawings, permits, and deposits, a general assignment of leases and rents, and an assignment of all insurance policies. The conditions of the mortgage loan include adequate hazard insurance as well as $5,000,000 in either comprehensive or commercial general liability insurance.

11. CONVERTIBLE DEBENTURES

On August 29, 2017, the Company closed a non-brokered private placement financing raising aggregate gross proceeds of $2,510,000 (the “Private Placement”) through the issuance of unsecured convertible debentures (the “Debentures”). Each Debenture has an issue price of $100; matures five years after the date of issuance on August 29, 2022 (the “Maturity Date”); bears interest at 7% per annum, payable on January 1 and July 1 of each year while outstanding, which interest, subject to regulatory approval, may at the option of the Company be settled in common shares. Each Debenture is convertible into common shares in the capital of the Company at the option of the holder at a price of $0.30 per common share (the “Conversion Price”), which is equivalent to 3,333 common shares for each $1,000 principal amount of Debentures. The Debentures, and any common shares issued upon conversion of the Debentures prior to December 30, 2017, are subject to a four-month hold period expiring on December 30, 2017.

The Company may redeem the debentures in cash on or after July 1, 2019, in whole or in part from time to time, upon required prior notice at a redemption price equal to their principal amount plus accrued and unpaid interest, if any, provided that the weighted average trading price of the Company’s common shares for the 20 consecutive trading days ending five trading days prior to the date of the redemption notice must be at least 125 per cent of the conversion price.

Additionally, after July 1, 2019, the Company has the option to repay the principal amount of the debentures in common shares provided certain circumstances are met, including, but not limited to, no event of default has occurred and is continuing at such time and the weighted average trading price of the Company’s common shares for the 20 consecutive trading days ending five trading days prior to the date of the redemption notice or maturity date (as the case may be) is at least 150 per cent of the conversion price.

The convertible debentures are compound financial instruments, consisting of a debt instrument and an equity conversion feature. The debt instrument was fair valued using a rate applicable to a non-compound debt instrument and is carried at amortized cost. The excess of the proceeds over the value assigned to the debt instrument was allocated as the fair value of the equity component of the convertible debentures. The following table summarizes the Company’s convertible debentures as at August 31, 2017:

(All dollar amounts expressed in Canadian dollars)

Convertible debenture proceeds	$	**2,510,000**
Issuance costs		**(79,759)**
Allocation to equity component		**(49,162)**
Accretion and interest		**117**
	$	**2,381,196**

12. SHARE CAPITAL

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

Issued or allotted and fully paid:

a) Common shares

On July 4, 2017, the Company completed an oversubscribed non-brokered private placement (the "Offering") of 12,646,111 units (the "Units") at a price of $0.20 per share for gross proceeds of $2,529,222. Each Unit consists of one common share in the capital of the Company (a "Share") and one half of one transferable common share purchase warrant (each whole common share purchase warrant, a "Warrant"). Each whole Warrant is exercisable to acquire one Share at an exercise price of $0.30 per Share until June 30, 2019 subject to an acceleration clause. A finder's fee was paid to Haywood Securities Inc., an arm's length party, of $350, in connection with the Offering, and other share issuance costs of $31,803 were incurred with respect to the Offering. The acceleration clause states that if at any time after the date that is four months and one day after the date of issuance of the warrants, the closing price of the Company's common shares on the TSX Venture Exchange (or such other stock exchange on which the common shares may be traded from time to time) is at or above 50 cents per share for a period of 21 consecutive trading days, the Company may, within 10 days of the triggering event, accelerate the expiry date of the warrants by giving notice thereof to the holders of the warrants, by way of news release, and in such case, the warrants will expire on the first business day after the day that is 30 days after the date on which such notice is given by the Company announcing the triggering event.

On July 27, 2016, the Company completed a non-brokered equity 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

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. As at August 31, 2017, a total 13,140,000 of the RTO Shares were held in escrow and subject to resale restrictions, including a 1.25-year escrow restriction.

(All dollar amounts expressed in Canadian dollars)

c) Warrants

A summary of activity in share purchase warrants during the three months ended August 31, 2017 and year ended May 31, 2017 is presented below:

	Share Purchase Warrants	
	Number of warrants	Weighted Average Exercise Price
Balance – May 31, 2016	558,152	$ 0.25
Expired	(558,152)	(0.25)
Balance – May 31, 2017	-	$ -
Issued	6,323,055	0.30
Balance – August 31, 2017	6,323,055(1)	$ 0.30

(1) Exercisable at a price of $0.30 per share until June 30, 2019, issued pursuant to a private placement, and subject to an acceleration clause as described in Note 12 (a) above.

d) Stock-based compensation reserve

A summary of activity in stock options during the three months ended August 31, 2017 and year ended May 31, 2017 is presented below:

	Stock Options	
	Number of options	Weighted Average Exercise Price
Balance – May 31, 2016	1,000,000	$ 0.25
Granted	160,000	0.25
Balance – May 31, 2017	1,160,000	$ 0.25
Granted, exercised, or expired	-	-
Balance – August 31, 2017	1,160,000(1)	$ 0.25

(1) Exercisable and outstanding as at August 31, 2017. 1,000,000 stock options expire on May 26, 2021, and 160,000 stock options expire on February 24, 2022.

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 3.84 years.

(All dollar amounts expressed in Canadian dollars)

There were no stock options granted (and no corresponding stock-based compensation cost) during the three months ended August 31, 2017 (2016: Nil).

13. SUBSCRIPTIONS RECEIVED IN ADVANCE

The Company received monies in advance from investors regarding a non-brokered equity private placement which completed on July 4, 2017 (see Note 12).

14. INCOME TAXES

As at August 31, 2017, the Company had non-capital loss carry-forwards of approximately $3,447,968, which may be applied directly to the Company's taxable income to offset future tax liabilities for Canadian income tax purposes, subject to final determination by taxation authorities, expiring in the following years:

Canadian

Expiry		Total
2034	$	372,086
2035		96,684
2036		1,231,159
2037		1,748,039
TOTAL	$	3,447,968

As at August 31, 2017, the Company had net operating loss carryforwards of approximately $7,278 which may be carried forward to apply against future year income for Hong Kong income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

Hong Kong

Expiry		Total
2021	$	2,954
2022		4,324
TOTAL	$	7,278

15. RELATED PARTY TRANSACTIONS

During the three months ended August 31, 2017, the Company received consulting fees of $683,649 (2016: $Nil) from companies controlled by a certain director.

(All dollar amounts expressed in Canadian dollars)

As at August 31, 2017, the Company had deferred revenue of $1,142,573 (May 31, 2017: $1,860,404) which was received from companies controlled by a certain director.

For the three months ended August 31, 2017, the Company paid subcontract fees of $Nil (2016: $12,500) to a certain key executive. In addition, the Company paid rent of $31,406 (2016: $30,990) to a company controlled by a certain director.

During the three months ended August 31, 2017, the Company incurred directors' fees of $6,000 (2016: $12,000) regarding the Company's independent directors.

These transactions are in the normal course of business and have been valued in these unaudited condensed consolidated interim financial statements at the exchange amount which is the amount of consideration established and agreed to by the related parties.

16. KEY MANAGEMENT COMPENSATION

Key management includes the Company's directors (executive and non-executive) and senior officers consisting of the President, the Chief Executive Officer, the Chief Financial Officer, the Chief Operating Officer, the Vice President, Operations, the Vice President, Development, and the Vice President, Marketing and Corporation Relations. The compensation paid or payable to key management personnel during the three months ended August 31, 2017 and 2016 was as follows:

		2017		2016
Salaries and short-term employee benefits	**$**	**280,941**	$	204,069

17. COMMITMENTS

Office premises **-** On January 1, 2017, the Company amended the existing lease contract for office premises with a company controlled by a certain director. Total future minimum lease payments under the contract are as follows:

2018	$	124,467
2019		124,467
2020		124,467
2021		124,467
2022		72,601
Total	$	570,469

(All dollar amounts expressed in Canadian dollars)

Bayview project excavation commitment - Upon commencement of the excavation work regarding the Bayview project (Note 7), the Company will deposit $1,890,000 (including goods and services tax) in trust with the Company's counsel, to be drawn and paid to Focus Equities Inc. on a monthly basis as excavation work progresses. The excavation work is expected to commence once the development permit is issued, which issuance is expected in June 2018.

18. FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments

As at August 31, 2017, the Company's financial instruments consisted of cash, trade and other receivables, trade and other payables, mortgage loan, and convertible debentures. The fair values of trade and other receivables and trade and other payables approximate their carrying values because of their current nature. Mortgage loan and convertible debentures are carried at amortized cost.

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 illustrates the Company's financial assets as at August 31, 2017 measured at fair value by level within the fair value hierarchy as follows:

	Level 1	Level 2	Level 3	August 31, 2017	May 31, 2017
Financial Assets:					
Cash	$ 4,424,127	$ -	$ -	$ 4,424,127	$ 4,244,764

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 and trade and other receivables. To minimize the credit risk on cash, the Company places the instruments 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 this risk mainly in respect of its trade and other payables.

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 price 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 three months ended August 31, 2017, the Company's revenues and expenses were recorded in Canadian dollars. The 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 given that the mortgage loan and convertible debentures bear interest at fixed rates.

19. 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, a mortgage loan, and convertible debentures. 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.

20. SUBSEQUENT EVENTS

On September 15, 2017, 200,000 stock options with an exercise price of $0.25 expired. On September 28, 2017, the Company granted 400,000 stock options to two officers with an exercise price of $0.25 and an expiry date of September 28, 2022.