ELEMENT LIFESTYLE RETIREMENT INC.

Consolidated Financial Statements

Years Ended May 31, 2018 and 2017

ELEMENT LIFESTYLE RETIREMENT INC.

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Management's Responsibility for Financial Reporting

To the Shareholders of Element Lifestyle Retirement Inc.:

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded, and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The Board is responsible for overseeing management in the performance of its financial reporting responsibilities and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Audit Committee has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee is also responsible for recommending the appointment of the Company's external auditors.

MNP LLP is appointed by the shareholders to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Committee and management to discuss their audit findings.

September 21, 2018

"Don Ho"	*"John Gilbert"*
Director	Director

MNP LLP

Independent Auditors' Report

To the shareholders of Element Lifestyle Retirement Inc. (formerly "Sonoma Resources Inc."):

We have audited the consolidated financial statements of Element Lifestyle Retirement Inc. (formerly "Sonoma Resources Inc."), which comprise the consolidated statements of financial position as at May 31, 2018 and May 31, 2017, and the consolidated statements of loss and other comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Element Lifestyle Retirement Inc. as at May 31, 2018, May 31, 2017 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 1 of these consolidated financial statements which discloses matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

MNP LLP

Vancouver, British Columbia

September 21, 2018

Chartered Professional Accountants

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

As at		May 31, 2018		May 31, 2017
ASSETS				
Current				
Cash (*Note 4*)	$	**1,439,300**	$	4,244,764
Other receivables (*Note 5*)		**26,103**		143
Prepaid expenses (*Note 6*)		**15,900**		5,905
Due from related parties (*Note 16*)		**14,314**		-
Total current assets		**1,495,617**		4,250,812
Restricted cash *(Note 4)*		**41,708**		-
Property and equipment (*Note 8*)		**331,681**		421,194
Property under development (*Note 9*)		**8,261,053**		56,819
Trade-marks (*Note 10*)		**18,841**		14,338
Total assets	$	**10,148,900**	$	4,743,163
LIABILITIES				
Current				
Accounts payable and accrued liabilities (*Note 11*)	$	**586,202**	$	101,483
Deferred revenue		**-**		1,860,404
Mortgage loan *(Note 12)*		**3,500,000**		-
Total current liabilities		**4,086,202**		1,961,887
Long term liabilities				
Convertible debentures (*Note 13*)		**1,596,824**		-
SHAREHOLDERS' EQUITY				
Share capital *(Note 14)*		**8,766,702**		6,682,300
Subscriptions received in advance		**-**		580,000
Share issuance costs *(Note 14)*		**(257,635)**		(225,482)
Reserve - options (*Note 14*)		**144,311**		109,541
Reserve - warrants (*Note 14*)		**444,820**		-
Equity component of convertible debentures (*Note 13*)		**677,998**		-
Contributed surplus (*Note 14*)		**42,435**		24,656
Deficit		**(5,352,757)**		(4,389,739)
Total shareholders' equity		**4,465,874**		2,781,276
Total liabilities and shareholders' equity	$	**10,148,900**	$	4,743,163

Going concern (Note1)

Commitments (Note 18)

On behalf of the Board

"Don Ho" Director

"John Gilbert" Director

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

ELEMENT LIFESTYLE RETIREMENT INC.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian dollars)

For the years ended	May 31, 2018	May 31, 2017
REVENUE		
Consulting fees	$ **1,809,995**	$ 585,329
EXPENSES		
Amortization	**103,823**	65,356
Consulting fees	**159,485**	215,188
General & administration	**169,432**	193,838
Marketing and promotion	**68,381**	55,497
Professional fees	**168,974**	132,363
Rent	**125,983**	123,833
Salaries, wages and benefits	**1,815,736**	1,400,798
Share-based payments	**52,549**	20,648
Travel	**89,864**	126,232
	2,754,227	2,333,753
LOSS FROM OPERATIONS	**(944,232)**	(1,748,424)
OTHER INCOME (LOSS)		
Impairment on long term investment *(Note 7)*	**(292,628)**	-
Other income (loss)	**21,330**	(3,408)
	(271,298)	(3,408)
LOSS BEFORE INCOME TAXES	**(1,215,530)**	(1,751,832)
Provision for recovery of income taxes		
Deferred *(Note 13)*	**252,512**	-
LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	$ **(963,018)**	$ (1,751,832)
Basic and diluted loss per common share	$ **(0.01)**	$ (0.03)
Weighted average number of shares outstanding, basic and diluted	**67,438,893**	55,413,339

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

ELEMENT LIFESTYLE RETIREMENT INC.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in Canadian dollars)

	Common shares outstanding		Paid-in capital		Warrants		Contributed surplus		Equity component of conertible debenture		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 - private placement *(Note 9)*	2,730,000		709,800		-		-		-		-		-		-		709,800
Subscriptions received in advance (*Note 10*)	-		580,000		-		-		-		-		-		-		580,000
Warrants (*Note 9*)					(24,656)		24,656		-								-
Options (*Note 9*)	-		-		-		-		-		20,648		-		-		20,648
Comprehensive income (loss) for the year	-		-		-		-		-		-		-		(1,751,832)		(1,751,832)
Balance, May 31, 2017	55,832,188		7,262,300		-		24,656		-		109,541		(225,482)		(4,389,739)		2,781,276
Shares issued - private placement *(Note 14)*	12,646,111		1,504,402		-		-		-		-		-		-		1,504,402
Equity component of convertible debenture (*Note 13*)	-		-		-		-		677,998		-		-		-		677,998
Share issuance cost (*Note 14*)	-		-		-		-		-		-		(32,153)		-		(32,153)
Warrants (*Note 14*)	-		-		444,820		-		-		-		-		-		444,820
Options (*Note 14*)	-		-		-		-		-		52,549		-		-		52,549
Expired options (*Note 14*)	-		-		-		17,779		-		(17,779)		-		-		-
Comprehensive income (loss) for the year	-		-		-		-		-		-		-		(963,018)		(963,018)
Balance, May 31, 2018	68,478,299	$	8,766,702	$	444,820	$	42,435	$	677,998	$	144,311	$	(257,635)	$	(5,352,757)	$	4,465,874

See accompanying notes to the consolidated financial statements.

ELEMENT LIFESTYLE RETIREMENT INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)

For the years ended	**May 31, 2018**	May 31, 2017
CASH FLOWS USED IN OPERATING ACTIVITIES		
Loss for the period	$ **(963,018)**	$ (1,751,832)
Items not affecting cash:		
Accretion expense	-	-
Amortization	**103,823**	65,356
Deferred income tax	**(252,512)**	-
Loss on disposition of equipment	-	3,408
Loss on long term investment	**292,628**	-
Share-based payments	**52,549**	20,648
Changes in non-cash working capital:		
Deferred revenue	**(1,860,404)**	1,360,404
Other receivables	**(26,251)**	13,627
Other payables	**484,719**	(6,987)
Prepaid expenses	**(9,995)**	(5,035)
	(2,178,461)	(300,411)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Long term investment	**(292,628)**	-
Purchase of property and equipment	**(14,310)**	(410,560)
Purchase of property under development	**(8,081,740)**	(56,819)
Trade-marks	**(4,503)**	(14,338)
	(8,393,181)	(481,717)
CASH FLOWS USED IN FINANCING ACTIVITIES		
Due from related parties	**(14,024)**	-
Issuance of common shares, net of costs	**1,472,249**	709,800
Issuance of warrants	**444,820**	-
Issuance of convertible debentures	**2,404,841**	
Proceeds from mortgage loan	**3,500,000**	-
Subscriptions received in advance	-	580,000
	7,807,886	1,289,800
CHANGE IN CASH DURING THE YEAR	**(2,763,756)**	507,672
CASH, BEGINNING OF THE YEAR	**4,244,764**	3,737,092
CASH, END OF THE YEAR	$ **1,481,008**	$ 4,244,764

Cash consists of:		
Cash	1,439,300	4,244,764
Restricted cash	41,708	-
	1,481,008	4,244,764

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

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.

Going concern

As of May 31, 2018, the Company reported a deficit of $5,352,757 (2017: $4,389,739) and negative working capital of $2,590,585 versus positive working capital of $2,288,925 at May 31, 2017. The Company has experienced operating losses and negative operating cash flows since inception and has no assurance that sufficient financing will be available to continue in operation for the foreseeable future. These consolidated financial statements have been prepared on a going concern basis which presumes the realization of assets and discharge of liabilities for the foreseeable future. The Company's ability to continue as a going concern is dependent upon achieving profitable operations or obtaining additional financing. While the Company is expending its best efforts in this regard, the outcome of these matters cannot be predicted at this time.

The operations of the Company have primarily been funded by the issuance of common shares, convertible debt and consulting income. Continued operations of the Company 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 additional debt financing. Management's plans in his regard is to secure additional funds through future equity financings, the issuance of additional debt, or the sale of Limited Partnerships, none of which may be available or may not be available on reasonable terms. These factors may cast significant doubt on the Company's ability to continue as a going concern. Accordingly, the financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities, contingent obligations and commitments other than in the normal course of business and at amounts different from those in the consolidated financial statements.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The financial statements were approved and authorized for issue by the Board of Directors on September 21, 2018.

3. SUMMARY OF SIGNIFICANT ACCOUNT POLICIES

Basis of presentation

The consolidated financial statements have been prepared under the historical cost basis, except for certain financial instruments, which are measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Basis of consolidation

These consolidated 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, and is owned 100% by the Company.
- Element Lifestyle (Vic Harbour West) Inc., which was incorporated in British Columbia, and is owned 100% by the Company.
- Element Lifestyle Retirement (Hong Kong) Ltd., which was incorporated in Hong Kong, and is 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 consolidated financial statements from the date that control commences until the date that control ceases. All significant intercompany transactions and balances have been eliminated on consolidation.

The following accounting policies have been applied consistently to all periods presented in the consolidated financial statements.

Borrowing costs

Borrowing costs incurred that are attributable to acquiring and developing properties and constructing new facilities (qualifying assets) are capitalized and included in the carrying amounts of qualifying assets until those qualifying assets are ready for their intended use. Capitalization commences on the date that expenditures for the qualifying asset are being incurred, borrowing costs are being incurred by the Company and activities that are necessary to prepare the qualifying asset for its intended use are being undertaken. All other borrowing costs are expensed in the period in which they are incurred.

Foreign currency

These consolidated financial statements are presented in Canadian dollars, which is the functional and presentation currency of the parent. Each entity determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The parent and its subsidiaries use the Canadian dollar as their functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the end of reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates. Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

Financial instruments

Financial assets and financial liabilities are initially recognized at fair value, and their subsequent measurement is dependent on their classification as described below. The classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Company's designation of such instruments.

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the rights to receive the contractual cash flows are transferred in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

A financial liability is derecognized when the Company's contractual obligations are discharged, cancelled or expired.

Financial instruments are comprised of cash, accounts receivables, accounts payable and accrued liabilities, mortgage loan and convertible debentures. The Company made the following classifications:

Cash	Loan and receivables
Other receivables	Loan and receivables
Accont payables and accrued liabilities	Other financial liabilities
Mortgage loan	Other financial liabilities
Convertible debentures	Other financial liabilities

Cash

Cash includes deposits held with Canadian chartered banks and restricted cash. Cash is classified as loans and receivables and is accounted for at amortized cost, which approximates fair value. Interest earned is recorded in the statements of operations and comprehensive loss.

Other receivables

Other receivables are classified as loans and receivables. Other receivables are initially recorded at fair value and subsequently measured at amortized cost. The carrying value of other receivables, after consideration of the provision for doubtful accounts, approximate their fair value due to the short-term maturity of these instruments.

Account payables and accrued liabilities

Accounts payable and accrued liabilities are classified as other financial liabilities. Account payables and accrued liabilities are initially recorded at fair value and subsequently measured at amortized cost, which approximates fair value due to the short-term nature of the instruments.

Mortgage loan

Mortgage loan is initially recorded at fair value and subsequently measured at amortized cost, which approximates fair value due to the short-term nature of the instruments.

Convertible debentures

Convertible debentures are compound financial instruments which are accounted for separately by their components: a financial liability and an equity instrument. The financial liability, which represents the obligation to pay coupon interest on convertible debentures in the future, is initially measured at its fair value and subsequently measured at amortized cost. The residual amount is accounted for as an equity instrument at issuance.

The identification of convertible notes components is based on interpretations of the substance of the contractual arrangement and therefore requires judgment from management. The separation of the components affects the initial recognition of the convertible debenture at issuance and the subsequent recognition of interest on the liability component. The determination of the fair value of the liability is also based on a number of assumptions, including contractual cash flows, discount rates and the presence of any derivative financial instruments.

Revenue recognition

Revenue includes amounts earned from providing consulting and project management services for developing senior retirement communities together with private residential development along with consulting and management fees associated with the operation of retirement homes.

Consulting and project management fee revenue

Fees generated from consulting services regarding developing senior retirement communities and private residential development is recognized when the services are rendered.

Consulting service revenue

The Company will earn a consulting fee based on a percentage of gross revenues of the operations for consulting services regarding managing retirement homes for third parties. Revenue is recognized when the services are rendered.

Management services revenue

The Company will earn a management fee based on a percentage of gross revenues of the operations for managing retirement homes for third parties. Revenue is recognized when the services are rendered.

Property and equipment

Property and equipment are carried at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are capitalized to the asset's carrying amount or recognized as a separate asset, as appropriate, when it is probable that future economic benefits associated with the cost will flow to the Company and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repair and maintenance costs are charged to net income (loss) during the period in which they are incurred.

The Company records depreciation at rates designed to depreciate the cost of the property and equipment less the estimated residual value over the estimated useful lives. The annual depreciation rates and method is as follow:

Computer equipment	55% declining balance method
Computer software	100% declining balance method
Furniture and fixture	20% declining balance method
Leasehold improvements	5 years straight-line method

The Company allocates the initial cost of an item of equipment to its significant components and depreciates separately each such component. Residual values, method of depreciation and useful lives of the assets are reviewed at least annually and adjusted, if appropriate. Gains and losses on disposals of property and equipment are included in net income (loss).

Impairment of non-financial assets

The Company reviews the carrying amounts of its equipment at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss. Non-financial assets, other than goodwill, that have been impaired are reviewed for possible reversal of the impairment at each reporting date.

Impairment of financial assets

Financial assets are reviewed at each statement of financial position date to assess whether there is objective evidence that indicates an impairment of a financial asset. If such evidence exists, Element recognizes an impairment loss measured at the excess of the carrying amount over the fair value of the asset, which is reflected in net income (loss).

Share capital

Common shares are classified as shareholders' equity. Transaction costs directly attributable to the issuance of shares are recognized as a reduction from shareholders' equity.

Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and are amortized over the vesting periods using a graded attribution approach. Share-based payments to non-employees are measured at the fair value of the goods or services received or at the fair value of the equity instruments issued (if it is determined the fair value of the goods or services cannot be reliably measured), and are recorded at the date the goods or services are received. If, and when, the stock options or warrants are ultimately exercised, the applicable amounts of reserves are transferred to share capital.

The fair value of the options is measured at grant date, using the Black-Scholes option pricing model and is recognized during the period that the employees earn the options. The fair value is recognized as an expense with a corresponding increase in equity. The amount recognized as expense is adjusted to reflect the number of share options expected to vest. Forfeitures of stock options are accounted for as incurred.

Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in the consolidated statements of comprehensive income (loss) except to the extent it relates to items recognized or directly in equity.

Current tax

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred taxes are the taxes expected to be payable or recoverable on the difference between the carrying amounts of assets in the consolidated statements of financial position and their corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences between the carrying amounts of assets and their corresponding tax bases. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities:

- are generally recognized for all taxable temporary differences;
- are recognized for taxable temporary differences arising on investments in subsidiaries except where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future; and
- are not recognized on temporary differences that arise from goodwill which is not deductible for tax purposes.

Deferred tax assets:

- are recognized to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilized; and
- are reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of an asset to be recovered.

Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control and may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Significant accounting judgments and estimates

The preparation of the consolidated 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 consolidated financial statements and reported amount of revenue and expenses during the reporting year.

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 significant risks of ownership has been transferred in the revenue transactions.

(ii) The recoverability of the accounts receivable which is 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 depreciation included in the statements of comprehensive income (loss).

(iv) The provision for income taxes which is included in the statements of comprehensive income (loss) and composition and quantification of deferred income tax assets included in the statements of financial position.

(v) The measurement of share-based compensation.

(vi) The identification of convertible notes components is based on interpretations of the substance of the contractual arrangement and therefore requires judgment from management. The separation of the components affects the initial recognition of the convertible debenture at issuance and the subsequent recognition of interest on the liability component. The determination of the fair value of the liability is also based on a number of assumptions, including contractual future cash flows, discount rates and the presence of any derivative financial instruments.

Earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing the profit or (loss) attributable to the common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted earnings (loss) per share is calculated based on the weighted average number of common shares outstanding during the year, plus the effects of dilutive common share equivalents. This calculation requires that the dilutive effect of outstanding options and warrants issued be calculated using the treasury stock method. The treasury stock method assumes that all common share equivalents have been exercised at the beginning of the year (or at the time of issuance, if later), and that the funds obtained thereby were used to purchase common shares of the Company at the average trading price of common shares during the year.

The calculation of diluted loss per share excludes the effects of various conversions and exercises of options and warrants that would be anti-dilutive.

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 Financial Statements.

a) IFRS 9, Financial Instruments

In July 2014, the IASB issued IFRS 9, Financial Instruments (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 - Leases 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 Financial Statements.

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.

(All dollar amounts expressed in Canadian dollars)

d) IFRS 2 – Share-based Payment

On June 30, 2016, the IASB issued amendments to IFRS 2 Share-based Payment, 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 Company intends to adopt the amendments to IFRS 2 in its consolidated Financial Statements for the annual period beginning on June 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

4. CASH

		May 31, 2018		May 31, 2017
Cash	$	**1,439,300**	$	4,244,764
Cash under restriction		**41,708**		-
	$	**1,481,008**	$	4,244,764

As of May 31, 2018 a total of $41,708 was held in escrow for interest payments on the Company's mortgage loan (note 12).

5. OTHER RECEIVABLES

		May 31, 2018		May 31, 2017
GST receivable	$	**26,104**	$	-
Other receivable		**290**		143
	$	**26,394**	$	143

As of May 31, 2018, management has determined that all receivables are collectible and no allowance for doubtful accounts is necessary.

(All dollar amounts expressed in Canadian dollars)

6. PREPAID EXPENSES

	May 31, 2018	May 31, 2017
Prepaid insurance and others	**15,900**	5,905

7. LONG TERM INVESTMENT

During the year ended May 31, 2018, the company invested $292,628 to acquire 30% of an associate company, Tian Yuan Jia (Beijing) Retirement Ltd. ("Tian Yuan Jia"), in China through its wholly owned Hong Kong subsidiary, Element Lifestyle Retirement (Hong Kong) Ltd. Tian Yuan Jia operates primarily in China and its principal business activities are management services for senior retirement communities, restaurant, hotel, cultural related activities, management consulting, and education consulting.

As at May 31, 2018, the Company's management performed an impairment test and wrote off the investment as it was determined the recoverable amount of the investment is less than its carrying amount. The impairment loss of $292,628 is reflected in the consolidated income statement.

8. PROPERTY AND EQUIPMENT

Property and equipment for the years ended May 31, 2018 and 2017 were as follows:

	Funiture & fixtures	Computer equipment	Computer software	Leasehold improvements	Total
Cost					
May 31, 2017	$ 60,786	$ 15,993	$ 8,727	$ 459,217	$ 544,723
Additions	-	14,310	-	-	14,310
May 31, 2018	60,786	30,303	8,727	459,217	559,033
Accumulated amortization					
May 31, 2017	13,471	9,362	8,461	92,235	123,529
Additions	9,463	7,582	266	86,512	103,823
May 31, 2018	22,934	16,944	8,727	178,747	227,352
Net book value					
May 31, 2017	47,315	6,631	266	366,982	421,194
May 31, 2018	$ 37,852	$ 13,359	$ -	$ 280,470	$ 331,681

(All dollar amounts expressed in Canadian dollars)

9. PROPERTY UNDER DEVELOPMENT

The Company's property under development at May 31, 2018 consists of the following:

		May 31, 2018		May 31, 2017
Land	$	**6,934,693**	$	-
Architectural, other professional fees and marketing costs		**391,286**		6,819
Finance and due diligence fees		**733,640**		-
Prepaid		**201,434**		50,000
	$	**8,261,053**	$	56,819

Costs for the property under development were not subject to amortization for the year ended May 31, 2018 and May 31, 2017. During the year ended May 31, 2018, the Company capitalized borrowing costs of $320,231 related to the property under development in Victoria, BC.

10. TRADE-MARKS

As at May 31, 2018, the Company incurred legal fees of $18,841 (2017 - $14,338) regarding three trade-marks.

11. ACCOUNT PAYABLES & ACCRUED LIABILITIES

		May 31, 2018		May 31, 2017
Accounts payable	$	**185,221**	$	76,745
GST payable		**-**		1,852
Interest payable		**73,210**		-
Salaries and benefits payable		**327,771**		22,886
	$	**586,202**	$	101,483

12. MORTGAGE LOAN

Effective August 29, 2017, the Company borrowed $3,500,000 from Addenda Capital Inc. (the "Lender) pursuant to a first mortgage loan maturing September 1, 2018 and bearing interest at an annual rate of 4.95%. Total interest payments of $164,500 were held in escrow and as at May 31, 2018, the balance in escrow was $41,708. The mortgage is secured by a conventional first mortgage charge on the property under development (Note 9), 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.

(All dollar amounts expressed in Canadian dollars)

13. 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 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, or convert the Debentures in common shares, 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.

The following table summarizes the Company's convertible debentures as at May 31, 2018:

		May 31, 2018
Issued	$	**2,510,000**
Equity portion of convertible loan - Gross		**(971,199)**
Financing fees		**(64,469)**
Accretion expense		**122,492**
Loan portion of convertible loan	$	**1,596,824**

		May 31, 2018
Equity portion of convertible loan - Gross	$	**971,199**
Equity portion of financing cost		**(40,689)**
Deferred tax related to conversion feature		**(252,512)**
Equity portion of convertible loan - net	$	**677,998**

14. SHARE CAPITAL

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

Issued or allotted and fully paid:

a) Common shares

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 for proceeds of $709,800.

On June 30, 2017, the Company closed a non-brokered equity private placement of 12,646,111 common shares at a price of $0.20 per share for proceeds of $2,529,222. Each Unit consists of one common share and one half of one transferable warrant exercisable at an exercise price of $0.3 per whole warrant until June 30, 2019.

(All dollar amounts expressed in Canadian dollars)

b) Escrow Shares

As at May 31, 2018, a total 8,910,000 common shares were held in escrow and are subject to resale restriction until December 2, 2018.

c) Warrants

A summary of activity and changes in warrants during the year ended May 31, 2018 and 2017 is presented below:

	Number of warrants	Weighted Average Exercise Price
Balance – May 31, 2016	558,152	$ 0.25
Expired	(558,152)	(0.25)
Balance – May 31, 2017	-	$ -
Granted	6,323,055(*)	0.30
Balance – May 31, 2018	6,323,055	$ 0.30

(*) Exercisable at a price of $0.30 per share until June 30, 2019, granted on June 30, 2017.

d) Stock-based compensation reserve

The following table reflects the stock-based compensation options issued and outstanding as at May 31, 2018 and 2017:

	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	400,000(1)	0.25
Expired	(200,000)	0.25
Balance – May 31, 2018	1,360,000(2)	0.25

(1) 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.
(2) 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 May 31, 2018, the weighted average fair value of the options granted is $0.13 (2017 - $0.09); and the weighted average remaining contractual life of the options issued and outstanding as at May 31, 2018 and 2017 is 3.47 and 4.13 years respectively.

(All dollar amounts expressed in Canadian dollars)

The fair value of share purchase options granted on September 28, 2017 was estimated to be $52,549 (2017 - $20,648) using the Black-Scholes Option Pricing Model with the following assumptions:

	2018	2017
Risk free interest rate	1.78%	0.48%
Expected dividend yield	0.00%	0.00%
Expected stock price volatility	105%	104%
Expected option life in years	5	5
Expected forfeiture rate	0.00%	100%

15. INCOME TAXES

The following table reconciles the expected income tax expense (recovery) at the Canadian statutory income tax rates to the amounts recognized in the consolidated statements of operations and comprehensive loss for the years ended May 31, 2018 and 2017:

	2018	**2017**
	$	**$**
Net loss before tax	(1,215,530)	(1,751,832)
Statutory tax rate	26.4%	26%
Expected income tax (recovery)	(321,103)	(455,476)
Non-deductible items	98,468	11,943
Change in deferred tax assets not recognized	(29,877)	443,533
Total income tax expense (recovery)	(252,512)	-

The statutory tax rate increased from 26% to 26.4% due to an increase in the BC corporate tax rate on January 1, 2018.

	2018	**2017**
	$	**$**
Current tax expense (recovery)	-	-
Deferred tax expense (recovery)	(252,512)	-
Total income tax expense (recovery)	(252,512)	-

The deferred tax assets and liabilities are as follows:

(All dollar amounts expressed in Canadian dollars)

Deferred tax assets (liabilities)	2018	2017
	$	$
Non capital loss carry forwards - Canada	251,645	3,728
Convertible debenture	(246,558)	-
Intangible assets	(5,087)	(3,728)
Net deferred tax assets (liabilities)	-	-

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their corresponding values for tax purposes. The unrecognized deductible temporary differences are as follows:

	2018	2017
	$	$
Non capital loss carryforwards - Canada	3,393,178	3,447,964
Net operating loss carry forwards - Hong Kong	9,183	7,278
Share issuance cost	314,127	309,121
Property and equipment	172,590	68,767
Donations	1,000	1,000
Total unrecognized deductible temporary differences	3,890,078	3,834,131

As at May 31, 2018 the Company has not recognized a deferred tax asset in respect of non capital loss carryforwards of approximately $3,393,178 (2017: $3,447,968) which may be carried forward to apply against future year income for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

Canada	
Expiry	$
2034	386,424
2035	96,684
2036	985,403
2037	1,403,992
2038	520,675
TOTAL	3,393,178

As at May 31, 2018 the Company has not recognized a deferred tax asset in respect of net operating loss carryforwards of approximately $9,183 (2017: $7,279) which may be carried forward indefinitely to apply against future year income for Hong Kong income tax purposes, the amount of operating loss carryforwards subject to the final determination by taxation authorities.

(All dollar amounts expressed in Canadian dollars)

16. RELATED PARTY TRANSACTIONS

On June 30, 2017, related parties of the Company and their associated entities acquired an aggregate of 1,688,611 units at a price of $0.20 per share for proceeds of $337,722 in the non-brokered equity private placement described in Note 14 (a).

During the year ended May 31, 2018, the Company:

(a) received consulting fees of $1,809,995 (2017: $585,329) from companies controlled by a director;

(b) paid subcontractor fees $nil (2017: $53,523) to companies controlled by certain officers, and consulting fees of $nil (2017: $67,000) to companies controlled by certain independent directors;

(c) paid rent of $125,983 (2017: $123,833) to a company controlled by a director (note 18); and

(d) incurred director fees of $36,000 (2017: $46,376) regarding the Company's independent directors.

(e) invested $292,628 in Tian Yuan Jia to explore business opportunities in China. Tian Yuan Jia is related to the company by way of director in common. (Note7)

As at May 31, 2018, $14,314 was receivable from companies controlled by a certain director.

During the year 2018, the company formed a limited partnership and became the general partner of the limited partnership. The purpose of limited partnership is to develop Bayview property in Victoria (Note 9).

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.

17. KEY MANAGEMENT COMPENSATION

The compensation paid or payable to key management personnel during the years ended May 31, 2018 and 2017 is as follows:

		2018		2017
Salaries and short-term employee benefits	**$**	**1,410,872**	$	896,310
Consulting fees		**3,500**		53,523
Share-based payments		**52,549**		20,648
Total	**$**	**1,466,921**	$	970,481

(All dollar amounts expressed in Canadian dollars)

18. COMMITMENTS

Total future minimum rental lease payments expiring December 31, 2021 under the contract are as follows:

2019		126,026
2020		126,026
2021		126,026
2022		73,514
Total	$	451,592

19. FINANCIAL INSTRUMENTS

Fair value of financial instruments

As at May 31, 2018, the Company's financial instruments consisted of cash, other receivables, account payables and accrued liabilities, mortgage loan and convertible debentures. The fair values of other receivables, account payables and accrued liabilities, and mortgage loan 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 date
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		2018		2017
Financial Assets:										
Cash	$	1,481,008	$	-	$	-	$	1,481,008	$	4,244,764
Other accounts receivable		26,394		-		-		26,394		143
Total financial assets	$	1,507,402	$		$		$	1,507,402	$	4,244,907
Financial Liabilities:										
Accounts payable and accrued liabilities	$	586,202	$	-	$	-	$	586,202	$	101,483
Mortgage loan		3,500,000		-		-		3,500,000		-
Convertible debentures		-		-		1,596,824		1,596,824		-
Total financial liabilities	$	4,086,202	$	-	$	1,596,824	$	5,683,026	$	101,483

The Company's financial instruments are exposed to risks that are summarized below:

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's concentrations of credit risks consist principally of cash, trade & other receivables and advances to employees. To minimize the credit risk on cash, the Company places the instrument with a high credit quality financial institution. The Company assesses collectability of specific accounts receivable and also, assesses the requirement for a provision based on historical experience.

Liquidity Risk

Liquidity risk is the risk the Company may encounter difficulties in meeting its obligations associated with financial liabilities and commitments. The Company is exposed to the risk of repaying $3.5 million short term mortgage loan which was subsequent renewed for another 12 month period. The Company managements 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 year ended May 31, 2018, the Company's revenues and expenses were recorded in Canadian dollars. Management has determined that the Company is not exposed to significant currency risk because most transactions are in Canadian dollars.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risk as the Company's mortgage loan and debentures are all at fixed interest rates.

20. CAPITAL MANAGEMENT

The Company defines its capital as the total of its shareholder loans and shareholders' equity less 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 available to 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.

21. SUBSEQUENT EVENTS

Effective August 22, 2018, the Company's $3.5 million mortgage which originally matured on September 1, 2018, was renewed for another 12 month term at the RBC prime lending rate plus 2%, but, not less than 5.7%. The estimated interest only monthly payment is $16,625 but, is subject to changes with the RBC prime lending rate.

On July 13, 2018, the Company announced a non-brokered private placement of 9,000,000 common shares at a price of $0.20 per share for gross proceeds of $1,800,000. As at September 21, 2018, the Company received $400,000 proceeds from Directors.

On March 23, 2018 the Company was informed that a notice of civil claim was filed in the Supreme Court of British Columbia on Feb. 16, 2018, against Element Lifestyle Retirement Inc. by a former employee of Element, who has claimed that he was wrongfully dismissed from his employment with Element. The claim was settled on July 13, 2018.