ELEMENT LIFESTYLE RETIREMENT INC.

Unaudited Condensed Consolidated Interim Financial Statements

Three and Six Months Ended November 30, 2018 and 2017

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
(Unaudited - See Notice To Reader)
(Expressed in Canadian dollars)

	Nov 30, 2018	May 31, 2018
ASSETS		
Current		
Cash	$ **4,101,632**	$ 1,481,008
Other receivables (*Note 5*)	**791,041**	26,103
Prepaid expenses	**12,991**	15,900
Due from related parties (*Note 11)*	**1,714,495**	14,314
	6,620,159	1,537,325
Property and equipment (*Note 6*)	**288,238**	331,681
Property under development *(Note 11)*	**-**	8,261,053
Trade-marks (*Note* 7)	**21,877**	18,841
Total assets	$ **6,930,274**	$ 10,148,900
LIABILITIES		
Current		
Account payables and accrued liabilities *(Note 8)*	$ **136,103**	$ 586,202
Mortgage loan *(Note 11)*	**-**	3,500,000
	136,103	4,086,202
Convertible debentures (*Note* 9)	**1,684,088**	1,596,824
SHAREHOLDERS' EQUITY		
Share capital *(Note 10)*	**9,166,702**	8,766,702
Share issuance costs	**(257,635)**	(257,635)
Reserve - options (*Note 10*)	**144,311**	144,311
Reserve - warrants (*Note 10*)	**444,820**	444,820
Equity component of convertible debentures (*Note 9*)	**677,998**	677,998
Contributed surplus	**42,435**	42,435
Deficit	**(5,108,548)**	(5,352,757)
	5,110,083	4,465,874
Total liabilities and shareholders' equity	$ **6,930,274**	$ 10,148,900

On behalf of the Board

______________________ Director

______________________ 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)

(Unaudited - See Notice To Reader)

(Expressed in Canadian dollars)

	Three Months Ended		Six Months Ended	
	Nov 30, 2018	Nov 30, 2017	**Nov 30, 2018**	Nov 30, 2017
REVENUE				
Consulting fees	$ -	$ 678,297	$ **1,144,049**	$ 1,361,946
EXPENSES				
Accretion expenses	**29,606**	39,749	**29,606**	39,749
Advertising and promotion	**12,977**	22,811	**30,834**	38,805
Amortization	**26,115**	26,081	**51,713**	51,053
Compensation expense	-	52,549	-	52,549
Consulting fees	**118,465**	23,125	**186,978**	40,400
General & administration	**72,477**	44,449	**172,159**	73,805
Interest expenses	**29,284**	43,926	**29,284**	44,889
Professional fees	**23,657**	35,280	**67,967**	36,223
Rent	**34,997**	31,550	**68,730**	62,956
Salaries, wages and benefits	**359,061**	348,094	**745,685**	720,234
Travel	**21,849**	28,702	**35,723**	51,384
	728,488	696,316	**1,418,679**	1,212,047
OTHER INCOME				
Other income	**10,700**	2,076	**13,902**	4,128
Gain on disposal of capital property	**302,638**	-	**302,638**	-
Sale of land inventory	**202,299**	-	**202,299**	-
INCOME (LOSS) BEFORE INCOME TAXES	**(212,851)**	(15,943)	**244,209**	154,027
INCOME TAXES				
Deferred income tax recovery	-	-	-	252,512
INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)	$ **(212,851)**	$ (15,943)	$ **244,209**	$ 406,539
Basic and diluted loss per common share	$ **(0.003)**	$ (0.000)	$ **0.004**	$ 0.006
Weighted average number of shares outstanding	**68,500,277**	68,478,299	**68,489,228**	66,405,166

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

(Unaudited - See Notice To Reader)

(Expressed in Canadian dollars - Unaudited)

	Common shares outstanding	Paid-in capital	Warrants	Contributed surplus	Equity component of convertible debenture	Stock-based compensation reserve	Share issuance costs	Deficit	Total
Balance, May 31, 2017	55,832,188	$ 7,262,300	$ -	$ 24,656	$ -	$ 109,541	$ (225,482)	$ (4,389,739)	$ 2,781,276
Shares issued - private placement	12,646,111	1,504,402	-	-	-	-	-	-	1,504,402
Equity component of convertible debenture	-	-	-	-	677,998	-	-	-	677,998
Share issuance cost	-	-	-	-	-	-	(32,153)	-	(32,153)
Warrants	-	-	444,820	-	-	-	-	-	444,820
Comprehensive income for the period	-	-	-	-	-	-	-	244,209	244,209
Balance, Nov 30, 2017	68,478,299	$ 8,766,702	$ 444,820	$ 24,656	$ 677,998	$ 109,540	$ (257,635)	$ (4,145,530)	$ 5,620,552

	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, 2018	68,478,299	$ 8,766,702	$ 444,820	$ 42,435	$ 677,998	$ 144,311	$ (257,635)	$ (5,352,757)	$ 4,465,874
Shares issued - private placement *(Note 10)*	2,000,000	400,000	-	-	-	-	-	-	400,000
Comprehensive income for the period	-	-	-	-	-	-	-	244,209	244,209
Balance, Nov 30, 2018	70,478,299	$ 9,166,702	$ 444,820	$ 42,435	$ 677,998	$ 144,310	$ (257,635)	$ (5,108,548)	$ 5,110,083

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

(Unaudited - See Notice To Reader)

(Expressed in Canadian dollars)

	Three Months Ended		Six Months Ended	
	Nov 30, 2018	Nov 30, 2017	**Nov 30, 2018**	Nov 30, 2017
CASH FLOWS USED IN OPERATING ACTIVITIES				
Income (loss) for the period	$ **(212,851)**	$ (15,942)	$ **244,209**	$ 406,539
Items not affecting cash:				
Amortization	**26,115**	26,081	**51,713**	51,053
Accretion expenses	**29,606**	39,749	**29,606**	39,749
Deferred income tax expenses	**-**	-	**-**	(252,512)
Share-based payment - stock options	**-**	52,549	**-**	52,549
Changes in non-cash working capital:				
Account receivables	**(771,559)**	5,422	**(764,938)**	143
Prepaid expenses	**8,755**	937	**2,909**	(1,524)
Account payables and accrued liabilities	**(7,137)**	(28,813)	**(450,099)**	15,482
Deferred revenue	**-**	(712,212)	**-**	(1,430,043)
	(927,071)	**(632,229)**	**(886,600)**	**(1,118,564)**
CASH FLOWS USED IN INVESTING ACTIVITIES				
Purchase of property and equipment	**(4,773)**	(12,099)	**(8,271)**	(12,099)
Purchase (sale) of property under development	**3,694,942**	(142,792)	**3,343,913**	(7,122,812)
Purchase of trade-marks	**(1,874)**	(252)	**(3,036)**	(894)
	3,688,295	(155,143)	**3,332,606**	(7,135,805)
CASH FLOWS USED IN FINANCING ACTIVITIES				
Due from related parties	**(272,774)**	-	**(225,382)**	-
Issuance of common shares, net of costs	**-**	-	**400,000**	1,472,249
Issuance of warrants	**-**	-	**-**	444,820
Issuance of convertible debentures	**-**	-	**-**	2,404,841
Transfer of mortgage loan	**-**	-	**-**	3,500,000
	(272,774)	-	**174,618**	7,821,910
CHANGE IN CASH DURING THE PERIOD	**2,488,450**	(787,372)	**2,620,624**	(432,458)
CASH, BEGINNING OF THE PERIOD	**1,613,182**	4,599,678	**1,481,008**	4,244,764
CASH, END OF THE PERIOD	$ **4,101,632**	$ 3,812,306	$ **4,101,632**	$ 3,812,306

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

(All dollar amounts expressed in Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Nature of operations

Element Lifestyle Retirement Inc. (the "Company" or "ELM") was incorporated under the British Columbia Company Act on May 31, 2007. The Company completed a Share Exchange Agreement with the shareholders of Element Lifestyle Retirement Inc. ("Element"), a private company which was incorporated under the Business Corporations Act (British Columbia) on June 12, 2013. Pursuant to which the Element shareholders transferred all of their common shares and preferred shares in exchange for common shares of Sonoma on a 1:1 ratio. The transaction resulted in the former Element shareholders owning approximately 60% of the issued and outstanding common shares of the resulting issuer, and therefore constituted a Reverse Takeover (the "RTO") under the policies of the TSXV Exchange. The ongoing entity has adopted the name Element Lifestyle Retirement Inc. on December 2, 2015 and resumed trading of the common shares of the Company on the TSXV, under the new name and symbol (ELM) on December 4, 2015. The former Element Lifestyle Retirement Inc. has been identified for accounting purposes as the acquirer, now a wholly-owned subsidiary of the Company, has changed its name to Element Lifestyle Management Inc. and accordingly the entity is considered to be a continuation of Element Lifestyle Retirement Inc.

The Company provides development management services for senior retirement communities. The head office and principal address of the Company is located at 1147 Homer Street, Vancouver, BC, V6B 2Y1.

These unaudited condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiaries, Element Lifestyle Management Inc., Element Lifestyle Retirement (Hong Kong) Ltd. , and Element Lifestyle (Vic Harbour West) Inc.

These unaudited condensed consolidated interim financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes that the Company will continue in operation for the foreseeable future and be able to realize assets and satisfy liabilities in the normal course of business. If the going concern assumption was not appropriate for these unaudited condensed consolidated interim financial statements then adjustments would be necessary in the carrying value of assets and liabilities, the reported expenses and the statements of financial position classifications used.

As of November 30, 2018 and May 31, 2018, the Company reported the following:

		Nov 30, 2018		May 31, 2018
Deficit	$	**5,108,548**	$	5,352,757
Working capital	$	**6,484,056**	$	(2,548,877)

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, 2018, 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 Jan 24, 2019.

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.

(All dollar amounts expressed in Canadian dollars)

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

In preparing these condensed consolidated interim financial statements, the accounting policies utilized are consistent with those utilized in the preparation of the annual audited financial statements for the year ended May 31, 2018.

The significant judgments made by management in applying the Company's accounting policies and the key sources of estimating uncertainty were the same as those applied to the annual audited financial statements for the year ended May 31, 2018.

5. OTHER RECEIVABLES

		Nov 30, 2018		May 31, 2018
GST receivable	$	**66,470**	$	26,103
Note receivable *(Note 11)*		**704,247**		-
Interest receivable *(Note 11)*		**9,305**		-
Other receivables		**11,019**		-
	$	**791,041**	$	26,103

As of November 30, 2018, management has determined that all receivables are collectible and no allowance for doubtful accounts is necessary.

6. PROPERTY AND EQUIPMENT

Property and equipment for the three months ended November 30, 2018 and year ended May 31, 2018 were as follows:

	Funiture & fixtures	Computer equipment	Software	Leasehold improvement	Total
Cost					
May 31, 2018	$ 60,786	$ 30,303	$ -	$ 459,217	$ 550,306
Additions	-	7,371	900	-	8,271
November 30, 2018	60,786	37,674	900	459,217	558,577
Accumulated amortization					
May 31, 2018	22,934	16,944	-	178,747	218,625
Additions	3,691	4,617	150	43,256	51,714
November 30, 2018	26,625	21,561	150	222,003	270,339
Net book value					
May 31, 2018	$ 37,852	$ 13,359	$ -	$ 280,470	$ 331,681
November 30, 2018	$ 34,161	$ 16,113	$ 750	$ 237,214	$ 288,238

(All dollar amounts expressed in Canadian dollars)

7. TRADE-MARKS

As at November 30, 2018, the Company had incurred legal fees of $21,877 (2017 - $18,841) regarding three trade-marks.

8. ACCOUNT PAYABLES

		Nov 30, 2018		May 31, 2018
Accounts payables	$	**36,343**	$	185,221
Interest payable		**73,212**		73,210
Salaries and benefits payable		**26,548**		327,771
	$	**136,103**	$	586,202

9. CONVERTIBLE DEBENTURES

On August 29, 2017, the Company issued $2,510,000 in unsecured convertible debentures (the "Debentures"). The Debentures bear interest at 7% per annum with a term of 5 years. Each Debenture is convertible into common shares of the Company at a price of $0.30 per share.

The following table summarizes the Company's convertible debentures as at November 30, 2018 and May 31, 2018:

		Nov 30, 2018		May 31, 2018
Issued	**$**	**2,510,000**	$	2,510,000
Equity portion of convertible loan - Gross		**(971,199)**		(971,199)
Financing fees		**(64,469)**		(64,469)
Accretion expense		**209,756**		122,492
Loan portion of convertible loan	**$**	**1,684,088**	$	1,596,824

		Nov 30, 2018		May 31, 2018
Equity portion of convertible loan - Gross	**$**	**971,199**	$	971,199
Equity portion of financing cost		**(40,689)**		(40,689)
Deferred tax related to conversion feature		**(252,512)**		(252,512)
Equity portion of convertible loan - net	**$**	**677,998**	$	677,998

(All dollar amounts expressed in Canadian dollars)

10. SHARE CAPITAL

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

Issued or allotted and fully paid:

a) Common shares

On November 30, 2018, the Company completed a non-brokered private placement of 2,000,000 common shares at a price of $0.20 per share for gross proceeds of $400,000.

b) Escrow Shares

As at November 30, 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 period ended November 30, 2018 is presented below:

	Number of warrants	Weighted Average Exercise Price
Balance – May 31, 2018	6,323,055	$ 0.30
Granted	-	-
Balance – November 30, 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 November 30, 2018:

	Number of options	Weighted Average Exercise Price
Balance – May 31, 2018	1,360,000	$ 0.25
Granted	-	-
Balance – November 30, 2018	1,360,000(*)	0.25

(*) 800,000 stock options expire on May 26, 2021, 160,000 stock options expire on February 24, 2022 and 400,000 stock options expire on September 28, 2022.

(All dollar amounts expressed in Canadian dollars)

As of November 30, 2018, 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 2.97 years.

11. RELATED PARTY TRANSACTIONS

During the period ended November 30, 2018, the Company:

(a) paid rent of $34,997 (2018: $31,550) to a company controlled by a director;

(b) incurred director fees of $10,000 (2018: $10,000) regarding the Company's independent directors;

(c) On October 1, 2018, the Company sold the property located in Victoria, BC (the "Property") to Aquara Limited Partnership ("Aquara LP") from the Company's wholly-owned subsidiary, Element Lifestyle (Vic Harbour West) Inc. for $7,960,000. Aquara LP resumed $3,500,000 land mortgage and issued a promissory note of $704,247 (see Note 5) as a part of the payment for the transaction; and

(d) Accrued $9,305 of interest receivables (see Note 5) on the promissory note above for the outstanding period.

As at November 30, 2018, $11,018 was receivable from a certain director for travel expenses and $71,875 was receivable from the companies controlled by certain directors.

As at November 30, 2018, $1,642,620 was receivable from Aquara LP for the development costs and fundrasing costs paid on behalf of Aquara project.

These transactions are in the normal course of business and have been valued in these consolidated financial statements at the exchange amount which is the amount of consideration established and agreed to by the related parties. The amounts due to related parties are unsecured, non-interest bearing, and have no specific terms of repayment.

12. KEY MANAGEMENT COMPENSATION

The compensation paid or payable to key management personnel during the three months ended November 30, 2018 and 2017 were as follows:

	Three Months Ended		**Six Months Ended**	
	Nov 30, 2018	Nov 30, 2017	**Nov 30, 2018**	Nov 30, 2017
Salaries and short-term employee benefits	**$ 255,733**	$ 337,079	**$ 511,793**	$ 612,020
Total	**$ 255,733**	$ 337,079	**$ 511,793**	$ 612,020

(All dollar amounts expressed in Canadian dollars)

13. FINANCIAL INSTRUMENTS

Fair value of financial instruments

As at November 30, 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	Nov 30, 2018	May 31, 2018
Financial Assets:					
Cash	$ 4,101,632	$ -	$ -	$ 4,101,632	$ 1,481,008
Other receivables	791,041	-	-	791,041	26,103
Total financial assets	$ 4,892,673	$	$	$ 4,892,673	$ 1,507,111
Financial Liabilities:					
Accounts payable and accrued liabilities	$ 136,103	$ -	$ -	$ 136,103	$ 586,202
Mortgage loan	-	-	-	-	3,500,000
Convertible debentures	-	-	1,684,088	1,684,088	1,596,824
Total financial liabilities	$ 136,103	$ -	$ 1,684,088	$ 1,820,191	$ 5,683,026

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 manages its liquidity risk through the management of its capital structure. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Company is not exposed to significant currency risk and interest rate risk.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. For the period ended November 30, 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.

14. CAPITAL MANAGEMENT

The Company defines its capital as items included in shareholders' equity and debt, net of cash.

The Company's objectives when managing capital are to: (i) maintain a capital structure that provides financing options to the Company for accessing capital, on commercially reasonable terms, without exceeding its debt capacity, or taking on undue risks; (ii) maintain financial flexibility in order to preserve its ability to meet financial obligations; and (iii) deploy capital to provide an appropriate investment return to its shareholders.

The Company's financial strategy is designed to maintain a flexible capital structure consistent with the objectives stated above and to respond to changes in economic conditions. In order to maintain or adjust its capital structure, the Company has issued additional shares. The Company's financing and refinancing decisions are made on a specific transaction basis and depend on such things as the Company's needs and market and economic conditions at the time of the transaction.

The Company manages capital through its operating and financial budgeting and forecasting processes on a regular basis. The Company reviews its working capital and forecasts its future cash flows, based on actual and forecasted operating results and other investing and financing activities. This information along with possible alternatives are reviewed by management and the Board of Directors of the Company on a regular basis to ensure the best mix of capital resources meet the Company's needs. The Company makes strategic and financial adjustments according to market conditions in an effort to meet its objectives given the Company's operating and financial performance and the current outlook for the business and for the industry in general.