ELEMENT LIFESTYLE RETIREMENT INC.

Consolidated Financial Statements

Years Ended May 31, 2019 and 2018

ELEMENT LIFESTYLE RETIREMENT INC.

INDEX

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 25, 2019

“Don Ho”	*“John Gilbert”*
Director	Director

Independent Auditor's Report

To the Shareholders of Element Lifestyle Retirement Inc.:

Opinion

We have audited the consolidated financial statements of Element Lifestyle Retirement Inc. (the "Company"), which comprise the consolidated statements of financial position as at May 31, 2019 and May 31, 2018, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at May 31, 2019 and May 31, 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company has incurred an accumulated deficit of $6,775,025 as of May 31, 2019. As stated in Note 1, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Joseph J. Chirkoff.

Vancouver, British Columbia

September 25, 2019

MNP LLP

Chartered Professional Accountants

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

As at		May 31, 2019		May 31, 2018
ASSETS				
Current				
Cash *(Note 5)*	$	**2,474,440**	$	1,439,300
Other receivables (*Note 6*)		**148,730**		26,103
Note receivable *(Note 7)*		**704,247**		-
Prepaid expenses *(Note 8)*		**17,208**		15,900
Due from related parties *(Note 18)*		**1,765,732**		14,314
		5,110,357		1,495,617
Restricted cash		**-**		41,708
Long term investment *(Note 9)*		**19**		-
Property and equipment (*Note 10*)		**258,209**		331,681
Property under development (*Note 18*)		**-**		8,261,053
Trade-marks (*Note 11*)		**21,876**		18,841
Total assets	$	**5,390,461**	$	10,148,900
LIABILITIES				
Current				
Accounts payable & other payables (*Note 12*)	$	**163,483**	$	586,202
Customer deposit *(Note 13)*		**10,000**		-
Mortgage loan *(Note 14)*		**-**		3,500,000
		173,483		4,086,202
Convertible debentures (*Note 15*)		**1,776,122**		1,596,824
SHAREHOLDERS' EQUITY				
Share capital *(Note 16)*		**9,166,702**		8,766,702
Share issuance costs *(Note 16)*		**(260,385)**		(257,635)
Reserve - options (*Note 16*)		**144,311**		144,311
Reserve - warrants (*Note 16*)		**444,820**		444,820
Equity component of convertible debentures (*Note 15*)		**677,998**		677,998
Contributed surplus (*Note 16*)		**42,435**		42,435
Deficit *(Exhibit III)*		**(6,775,025)**		(5,352,757)
		3,440,856		4,465,874
Total liabilities and shareholders' equity	$	**5,390,461**	$	10,148,900

On behalf of the Board

'Don Ho" Director

"John Gilbert" Director

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

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian dollars)
(Exhibit II)

For the years ended	May 31, 2019	May 31, 2018
REVENUE		
Consulting fees	$ **948,956**	$ 1,809,995
EXPENSES		
Accretion expense *(Note 15)*	**121,639**	-
Amortization	**111,633**	103,823
Consulting fees	**291,799**	159,485
General & administration	**219,441**	169,433
Interest expense *(Note 15)*	**117,136**	-
Marketing and promotion	**118,710**	68,381
Professional fees	**136,640**	168,974
Rent	**136,762**	125,983
Salaries, wages and benefits	**1,671,677**	1,815,736
Share-based payments	**-**	52,549
Travel	**82,261**	89,864
	3,007,698	2,754,227
LOSS FROM OPERATIONS	**(2,058,742)**	(944,232)
OTHER INCOME		
Other income (loss)	**285,096**	21,330
Impairment of long term investment	**-**	(292,628)
Gain on disposition of capital asset	**351,378**	-
	636,474	(271,298)
LOSS BEFORE INCOME TAXES	**(1,422,268)**	(1,215,530)
Income tax (expense)/recovery	**-**	252,512
LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	$ **(1,422,268)**	$ (963,018)
Basic and diluted loss per common share	$ **(0.02)**	$ (0.01)
Weighted average number of shares outstanding	**69,481,039**	67,438,893

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)
(Exhibit III)

	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, 2017	55,832,188	$ 7,262,300	$ -	$ 24,656	$ -	$ 109,541	$ (225,482)	$ (4,389,739)	$ 2,781,276
Shares issued - private placement *(Note 16)*	12,646,111	1,504,402	-	-	-	-	-	-	1,504,402
Equity component of convertible debenture (*Note 15*)	-	-	-	-	677,998	-	-	-	677,998
Share issuance cost (*Note 16*)	-	-	-	-	-	-	(32,153)	-	(32,153)
Warrants (*Note 16*)	-	-	- 444,820	-	-	-	-	-	444,820
Options (*Note 16*)	-	-	-	-	-	52,549	-	-	52,549
Expired options (*Note 16*)	-	-	-	17,779	-	(17,779)	-	-	-
Comprehensive income (loss) for the period	-	-	-	-	-	-	-	(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
Shares issued - private placement *(Note 16)*	2,000,000	400,000	-	-	-	-	-	-	400,000
Share issuance cost	-	-	-	-	-	-	(2,750)	-	(2,750)
Comprehensive income (loss) for the period	-	-	-	-	-	-	-	(1,422,268)	(1,422,268)
Balance, May 31, 2019	70,478,299	$ 9,166,702	$ 444,820	$ 42,435	$ 677,998	$ 144,311	$ (260,385)	$ (6,775,025)	$ 3,440,856

Supplemental disclosure with respect to shareholders' equity (Note 16)

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

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

For the years ended		May 31, 2019		May 31, 2018
CASH FLOWS USED IN OPERATING ACTIVITIES				
Loss for the period	$	**(1,422,268)**	$	(963,018)
Items not affecting cash:				
Gain on disposition of capital assets		**(351,378)**		
Other income (loss)		**(271,055)**		
Amortization		**111,633**		103,823
Accretion expense (Note 15)		**121,639**		-
Share-based payments		**-**		52,549
Deferred income tax		**-**		(252,512)
Loss on long term investment		**-**		292,628
Changes in non-cash working capital:				
Other receivables		**(122,625)**		(26,251)
Prepaid expenses		**(1,308)**		(9,995)
Accounts payable & other payables		**(422,721)**		484,719
Customer deposit		**10,000**		(1,860,404)
		(2,348,083)		(2,178,461)
CASH FLOWS USED IN INVESTING ACTIVITIES				
Long term investment		**(19)**		(292,628)
Purchase of property and equipment		**(38,161)**		(14,310)
Sale/(Purchase) of property under development		**2,985,480**		(8,081,740)
Trade-marks		**(3,035)**		(4,503)
		2,944,265		(8,393,181)
CASH FLOWS USED IN FINANCING ACTIVITIES				
Due from related party		**-**		(14,024)
Issuance of common shares, net of costs		**397,250**		1,472,249
Issuance of warrants		**-**		444,820
Issuance of convertible debentures		**-**		2,404,841
Proceeds from mortgage loan		**-**		3,500,000
		397,250		7,807,886
CHANGE IN CASH DURING THE PERIOD		**993,432**		(2,763,756)
CASH, BEGINNING OF THE PERIOD		**1,481,008**		4,244,764
CASH, END OF THE PERIOD	$	**2,474,440**	$	1,481,008
Supplemental disclosure of cash flow information				
Cash	$	**2,474,440**	$	1,439,300
Restricted cash		**-**		41,708

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, 2019, the Company reported a deficit of $6,775,025 (2018: $5,352,757). 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. These material uncertainties cast significant doubt about the Company's ability to continue as a going concern.

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 25, 2019.

3. ADOPTION OF NEW AND REVISED STANDARDS AND CHANGE IN ACCOUNTING POLICIES

(a) New and revised IFRS standards that are effective for the current year

The Company has adopted the following new or amended IFRS standards for the interim and annual periods beginning on June 1, 2018.

(i) IFRS 15, Revenue from Contracts with Customers (“IFRS 15”)

IFRS 15 specifies how and when revenue should be recognized based on a five-step model, which is applied to all contracts with customers. The Company has applied IFRS 15 retrospectively and determined that there is no change to the comparative periods or transitional adjustments required as a result of the adoption of this standard. The Company’s accounting policy for revenue recognition under IFRS 15 is to follow a five-step model to determine the amount and timing of revenue to be recognized:

1. Identifying the contract with a customer

2. Identifying the performance obligations within the contract

3. Determining the transaction price

4. Allocating the transaction price to the performance obligations

5. Recognizing revenue when/as performance obligation(s) are satisfied.

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.

The Company recognizes revenue in an amount that reflects the consideration that the Company expects to receive taking into account any variation that may result from rights of return. The pattern and timing of revenue recognition under the new standard is consistent with prior year practice.

There were no adjustments recognized on the adoption of IFRS 15 in the year ended May 31, 2019.

(ii) IFRS 9, Financial Instruments ("IFRS 9")

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"). The classification is based on two criteria: the Company's business objectives for managing the assets; and whether the financial instruments' contractual cash flows represent "solely payments of principal and interest" on the principal amount outstanding (the "SPPI test"). Financial assets are required to be reclassified only when the business model under which they are managed has changed. All reclassifications are to be applied prospectively from the reclassification date. Financial liabilities are classified in a similar manner as under IAS 39.

The assessment of the Company's business models for managing its financial assets was made as of the date of initial application of June 1, 2018 or on initial recognition. The assessment of whether contractual cash flows on debt investments meet the SPPI test was made based on the facts and circumstances as at the initial recognition of the financial assets.

<u>Financial assets</u>

Initial recognition

The Company initially recognizes financial assets at fair value on the date that the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Classification and measurement

Under IFRS 9, financial assets are initially measured at fair value. In the case of a financial asset not categorized as fair value through profit or loss ("FVTPL"), transaction costs are included. Transaction costs of financial assets carried at FVTPL are expensed in net income (loss).

Subsequent classification and measurement of financial assets depends on the Company's business objective for managing the asset and the cash flow characteristics of the asset:

(i) Amortized cost – Financial assets held for collection of contractual cash flows that meet the SPPI test are measured at amortized cost. Interest income is recognized as Other income (expense) in the consolidated financial statements, and gains/losses are recognized in net income (loss) when the asset is derecognized or impaired.

(ii) Fair value through other comprehensive income ("FVOCI") – Financial assets held to achieve a particular business objective other than short-term trading are designated at FVOCI. IFRS 9 also provides the ability to make an irrevocable election at initial recognition of a financial asset, on an instrument-by-instrument basis, to designate an equity investment that would otherwise be classified as FVTPL and that is neither held for trading nor contingent consideration arising from a business combination to be classified as FVOCI. There is no recycling of gains or losses through net income (loss). Upon derecognition of the asset, accumulated gains or losses are transferred from Other comprehensive income ("OCI") directly to Deficit.

(iii) FVTPL – Financial assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL.

<u>Financial liabilities</u>

The Company initially recognizes financial liabilities at fair value on the date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The subsequent measurement of financial liabilities is determined based on their classification as follows:

(i) FVTPL – Derivative financial instruments entered into by the Company that do not meet hedge accounting criteria are classified as FVTPL. Gains or losses on these types of financial liabilities are recognized in net income (loss).

(ii) Amortized cost – All other financial liabilities are classified as amortized cost using the effective interest method. Gains and losses are recognized in net income (loss) when the liabilities are derecognized as well as through the amortization process.

Consistent with IAS 39, all financial liabilities held by the Company under IFRS 9 are initially measured at fair value and subsequently measured at amortized cost.

The following table summarizes the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets and financial liabilities:

	IAS 39 Classification	**IFRS 9 Classification**
Financial Assets		
Cash	FVTPL	Amortized cost
Other receivables	Loans and receivables	Amortized cost
Note receivable	Loans and receivables	Amortized cost
Financial Liabilities		
Accounts payable & other payables	Other liabilities	Amortized cost
Mortgage loan	Other liabilities	Amortized cost
Convertible debentures	Not applicable	Amortized cost

Impairment

Under IFRS 9, the Company is required to apply an expected credit loss ("ECL") model to all debt financial assets not held at FVTPL, where credit losses that are expected to transpire in futures years are provided for, irrespective of whether a loss event has occurred or not as at the statement of financial position date. For receivables, the Company has applied the simplified approach under IFRS 9 and has calculated ECLs based on lifetime expected credit losses taking into considerations historical credit loss experience and financial factors specific to the debtors and general economic conditions. The Company has assessed the impairment of its receivable using the expected credit loss model, and no material difference was noted.

The adoption of IFRS 9 did not result in any material transition adjustments recognized as of June 1, 2018.

(b) New and revised IFRS standards in issue 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 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.

4. 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.

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.

Borrowing Costs

Borrowing costs are 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.

Cash

Cash includes deposits held with Canadian chartered banks. Cash is measured at amortized cost. Interest earned is recorded in the statements of operations and comprehensive loss.

Other 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.

Note receivable

Note receivable is initially recorded at fair value and subsequently measured at amortized cost, which approximates fair value due to the short-term nature of the instrument.

Account payables and accrued 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.

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.

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.

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).

(All dollar amounts expressed in Canadian dollars)

(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 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.

(vi) The measurement of share-based compensation.

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 comm on 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.

5. CASH

		May 31, 2019		May 31, 2018
Cash	**$**	**2,474,440**	$	1,439,300
Cash under restriction		-		41,708
	$	**2,474,440**	$	1,481,008

6. OTHER RECEIVABLES

		May 31, 2019		May 31, 2018
Accounts receivable and other receivables	$	**73,907**	$	-
GST receivable		**74,821**		26,103
	$	**148,730**	$	26,103

The accounts receivable and other receivables included accounts receivable of $36,750 which were received in June 2019 and accrued interest receivable of $37,158 from the note receivable (Note 7) for the outstanding period since October 1, 2018.

(All dollar amounts expressed in Canadian dollars)

As of May 31, 2019, management has determined that all receivables are collectible and no allowance for doubtful accounts is necessary.

7. NOTE RECEIVABLE

The note receivable of $704,247 is a promissory note with the interest rate at Royal Bank of Canada Prime Rate plus four percent (4%). Payment in full of the principal amount plus interest is due on demand. It is not secured (Note 14).

8. PREPAID EXPENSES

	May 31, 2019	May 31, 2018
Prepaid insurance and others	**$ 17,208**	$ 15,900

9. LONG TERM INVESTMENT

On April 11, 2018, Element Lifestyle (Vic Harbour West) Inc., the General Partner of Aquara Limited Partnership, contributed $10 to the Limited Partnership initially.

10. PROPERTY AND EQUIPMENT

Property and equipment for the year ended May 31, 2019 and 2018 were as follows:

	Funiture & fixtures	Computer equipment	Computer software	Leasehold improvement	Total
Cost					
May 31, 2018	$ 60,786	$ 30,303	$ 8,727	$ 459,217	$ 559,033
Additions		37,261	900		38,161
May 31, 2019	60,786	67,564	9,627	459,217	597,193
Accumulated amortization					
May 31, 2018	22,934	16,944	8,727	178,747	227,352
Additions	7,571	17,100	450	86,512	111,633
May 31, 2019	30,504	34,044	9,177	265,259	338,985
Net book value					
May 31, 2018	$ 37,852	$ 13,359	$ -	$ 280,470	$ 331,681
May 31, 2019	$ 30,282	$ 33,519	$ 450	$ 193,958	$ 258,209

11. TRADE-MARKS

As at May 31, 2019, the Company had incurred legal fees of $21,876 (2018 - $18,841) regarding three trade-marks.

(All dollar amounts expressed in Canadian dollars)

12. ACCOUNT PAYABLES & ACCRUED LIABILITIES

		May 31, 2019		May 31, 2018
Accounts payable and accrud liabilities	**$**	**68,591**	$	185,221
Interest payable		**73,214**		73,210
Salaries and benefits payable		**21,678**		327,771
	$	**163,483**	$	586,202

13. CUSTOMER DEPOSIT

On January 30, 2019, the Company signed a development consulting services agreement with a third party and received $10,000 retainer for the consulting work will be performed by the Company.

14. MORTGAGE LOAN

On October 1, 2018, the Company sold the property under development and the mortgage loan was transferred to the buyer as part of the consideration for the sales. (Note 18)

15. 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 May 31, 2019 and 2018:

		May 31, 2019		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		**301,790**		122,492
Loan portion of convertible loan	**$**	**1,776,122**	$	1,596,824

		May 31, 2019		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

As at May 31, 2019, the Company incurred total accretion expense of $301,790 and interest expense of $294,437. Before sold the property under development on October 1, 2018, the Company capitalized $180,151 accretion expense and $177,301 interest expense. After the property was sold, the Company expensed accretion expense of $121,639 and interest expense of $117, 136 in 2019.

(All dollar amounts expressed in Canadian dollars)

16. 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 and issuance cost of $2,750.

b) Escrow Shares

On December 2, 2018, a total 8,910,000 common shares were released from escrow. As a result, no shares are subject to resale restriction.

c) Warrants

A summary of activity and changes in warrants during the period ended May 31, 2019 is presented below:

	Number of warrants	Weighted Average Exercise Price
Balance – May 31, 2018	6,323,055	$ 0.30
Granted	-	-
Balance – February 28, 2019	6,323,055(*)	$ 0.30

(*) Exercisable at a price of $0.30 per share until June 30, 2019 (Note 23), 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, 2019:

	Number of options	Weighted Average Exercise Price
Balance – May 31, 2018	1,360,000	$ 0.25
Granted	-	-
Balance – February 28, 2019	1,360,000(*)	0.25

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

As of February 28, 2019, the weighted average exercise price of the options granted is $0.25 per option, and the weighted average remaining contractual life of the options issued and outstanding is 2.47 years.

(All dollar amounts expressed in Canadian dollars)

17. 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, 2019 and 2018:

	2019	2018
	$	$
Net loss before tax	(1,422,268)	(1,215,530)
Statutory tax rate	27.0%	26.4%
Expected income tax (recovery)	(384,012)	(321,103)
Non-deductible items	11,068	98,468
Change in deferred tax assets not recognized	372,944	(29,877)
Total income tax expense (recovery)	-	(252,512)

The statutory tax rate increased from 26.4% to 27% due to an increase in the BC corporate tax rate on January 1, 2018.

	2019	2018
	$	$
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:

Deferred tax assets (liabilities)	2019	2018
	$	$
Non capital loss carry forwards - Canada	204,054	251,645
Convertible debenture	(198,147)	(246,558)
Intangible assets	(5,907)	(5,087)
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:

	2019	2018
	$	$
Non capital loss carryforwards - Canada	4,887,169	3,393,178
Net operating loss carry forwards - Hong Kong	13,327	9,183
Share issuance cost	184,021	314,127
Property and equipment	105,869	172,590
Donations	1,000	1,000
Total unrecognized deductible temporary differences	5,191,387	3,890,078

As at May 31, 2019 the Company has not recognized a deferred tax asset in respect of non capital loss carryforwards of approximately $4,887,169 (2018: $3,393,178) 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:

(All dollar amounts expressed in Canadian dollars)

Canada	
Expiry	$
2034	386,423
2035	96,684
2036	985,403
2037	1,403,992
2038	663,797
2039	1,350,870
TOTAL	4,887,169

As at May 31, 2019 the Company has not recognized a deferred tax asset in respect of net operating loss carryforwards of approximately $13,327 (2018: $9,183) 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.

18. RELATED PARTY TRANSACTIONS

On November 30, 2018, related parties of the Company acquired an aggregate of 2,000,000 units at a price of $0.20 per share for proceeds of $400,000 in the non-brokered equity private placement described in Note 13 (a).

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 assumed $3,500,000 land mortgage and issued a promissory note of $704,247 (see Note 6) as a part of the payment for the transaction. It resulted in other revenue of $233,460 on land inventory portion and capital gains of $351,378 on land capital portion.

During the year ended May 31, 2019, the Company:

(a) received consulting fees of $878,956 (2018: $1,809,995) from companies controlled by a director;

(b) paid subcontractor fees $12,833 (2018: $nil) to companies controlled by certain officers;

(c) paid rent of $136,762 (2018: $125,983) to a company controlled by a director; and

(d) incurred director fees of $32,000 (2018: $36,000) regarding the Company's independent directors.

(e) Accrued $37,158 (2018: $nil) of interest receivables on the promissory note issued from Aquara LP for the year.

(f) Paid $1,666,383 (2018: $nil) of development costs and fundraising costs on behalf of Aquara LP.

(All dollar amounts expressed in Canadian dollars)

As at May 31, 2019, $9,782 (2018: $nil) was receivable from a certain director who is also any employee of the Company for travel expenses and $107,873 (2018: $nil) was payable from the companies controlled by certain directors.

As at May 31, 2019, $1,863,831 (2018: $nil) was receivable from Aquara LP for the development costs and fundraising costs paid on behalf of Aquara project.

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

19. KEY MANAGEMENT COMPENSATION

The compensation paid or payable to key management personnel during the year ended May 31, 2019 and 2018 were as follows:

		2019		2018
Salaries and short-term employee benefits	**$**	**1,227,977**	$	1,410,872
Consulting fees		**12,833**		3,500
Share-based payments		-		52,549
Total	**$**	**1,240,810**	$	1,466,921

20. COMMITMENTS

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

2020		126,026
2021		126,026
2022		73,514
Total	**$**	325,566

21. FINANCIAL INSTRUMENTS

Fair value of financial instruments

As at May 31, 2019, the Company's financial instruments consisted of cash, other receivables, note receivable, account payables and accrued liabilities, and convertible debentures. The fair values of other receivables and account payables and accrued liabilities approximate their carrying values because of their current nature.

(All dollar amounts expressed in Canadian dollars)

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	2019	2018
Financial Assets					
Cash	$ 2,474,440	$ -	$ -	$ 2,474,440	$ 1,439,300
Other receivables	148,730	-	-	148,730	26,103
Note receivable	704,247	-	-	704,247	
Total financial assets	$ 3,327,417	$ -	$ -	$ 3,327,417	$ 1,465,403
Financial Liabilities					
Accounts payable & other payables	$ 163,483	$ -	$ -	$ 163,483	$ 586,202
Mortgage loan	-	-	-	-	3,500,000
Convertible debentures	-	-	1,776,122	1,776,122	1,596,824
Total Financial liabilities	$ 163,483	$ -	$ 1,776,122	$ 1,939,605	$ 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 notes receivable. To minimize the credit risk on cash, the Company places the instrument with a high credit quality financial institution. The Company assesses collectability of specific accounts receivable and note receivable and also, assesses the requirement for a provision based on historical experience.

Liquidity Risk

Liquidity risk is the risk the Company may encounter difficulties in meeting its obligations associated with financial liabilities and commitments. The Company 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, 2019, 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.

22. 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.

23. SUBSEQUENT EVENT

The Company's 6,323,055 of warrants expired on June 30, 2019.