

FINANCIAL STATEMENTS OF

Element Lifestyle Retirement Inc.

For the Three and Six Months ended November 30, 2015
(Unaudited)

NOTICE TO READERS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accomplished by a notice indicating that the interim financial statements have not been reviewed by an auditor. The accompanying unaudited interim condensed financial statements of the Company have been prepared by and are the responsibility of the Company's management. The unaudited condensed interim financial statements have been prepared using accounting policies in compliance with International Financial Reporting Standards for the preparation of the condensed interim financial statements and are in accordance with IAS 34 – Interim Financial Reporting. The Company's independent auditor has not performed a review of these unaudited condensed interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

ELEMENT LIFESTYLE RETIREMENT INC.
STATEMENTS OF FINANCIAL POSITION
(UNAUDITED)
AS AT

(in Canadian dollars)	November 30, 2015	May 31, 2015
ASSETS		
Current		
Cash	\$ 102,497	\$ 751,165
Accounts receivable	13,125	43,750
Other accounts receivable (Note 10)	114,228	-
GST Receivable	1,986	-
Prepaid Expenses	28,370	870
	260,206	795,785
Capital assets	83,540	99,179
Deferred income tax asset	131,850	131,850
Total Assets	\$ 475,596	\$ 1,026,814
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 107,692	\$ 156,842
Deferred revenue (Note 9)	500,000	-
Due to related party (Note 9)	196,976	200,000
GST payable	-	52,366
	804,668	409,208
SHAREHOLDERS' EQUITY		
Common shares (Note 7)	500,000	500,000
Preferred shares (Note 7)	515,000	515,000
Share issuance costs (Note 7)	(44,834)	(30,000)
Deficit	(1,299,238)	(367,394)
	(329,072)	617,606
Total liabilities and shareholders' equity	\$ 475,596	\$ 1,026,814

Nature and Continuation of Operations (Note 1)

On behalf of the Board

"Don Ho" Director

"Bo Jun Diao" Director

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

ELEMENT LIFESTYLE RETIREMENT INC.
STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS
(UNAUDITED)
FOR THE THREE AND SIX MONTH PERIODS ENDED NOVEMBER 30,

(in Canadian dollars)	Three Months Ended November 30,		Six Months Ended November 30,	
	2015	2014	2015	2014
REVENUE				
Consulting fees	\$ 42,500	\$ 529,167	\$ 143,389	\$ 1,029,167
EXPENSES				
Advertising and promotion	10,692	179	40,143	24,429
Amortization	9,546	2,187	18,902	2,381
Bank charges	255	111	680	532
Conference, meeting and events	3,265	6,689	3,265	6,689
Consulting fees	68,055	-	78,555	175
Insurance	-	-	4,055	-
Meals and Entertainment	4,062	20,501	7,667	24,095
Office expenses	4,379	10,322	10,564	11,238
Property investigations and consulting	122,246	-	122,246	-
Professional fees	4,933	46,354	24,201	51,616
Rent	17,493	3,375	35,077	8,444
Salaries and wages	299,378	292,691	609,503	486,738
Subcontract	2,125	66,725	8,014	80,975
Telephone & Utilities	6,451	1,906	10,051	2,536
Training	2,196	727	2,196	8,227
Travel	43,226	13,518	101,753	16,484
Website costs	242	26,503	978	44,716
	598,544	491,788	1,077,850	769,275
OTHER INCOME				
Interest income	2,617	-	2,617	-
INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)				
FOR THE PERIOD	\$ (553,427)	\$ 37,379	\$ (931,844)	\$ 259,892
Basic and Diluted Income (Loss) per				
Common Share	\$ (0.02)	\$ 373.79	\$ (0.04)	\$ 2,598.92
Weighted Average Number of Shares Outstanding	24,000,000	100	24,000,000	100

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

ELEMENT LIFESTYLE RETIREMENT INC.
STATEMENTS OF EQUITY
(UNAUDITED)
FOR THE PERIOD ENDED NOVEMBER 30, 2015

	Common shares Outstanding	Paid-in Capital	Preferred shares Outstanding	Paid-in Capital	Share Issurance costs	Deficit	Total
		\$		\$	\$	\$	\$
Balance as of May 31, 2014	100	10	-	-	-	(286,153)	(286,143)
Net income (Loss)	-	-	-	-	-	259,892	259,892
Balance as of November 30, 2014	100	10	-	-	-	(26,261)	26,251

	Common shares Outstanding	Paid-in Capital	Preferred shares Outstanding	Paid-in Capital	Share Issurance costs	Deficit	Total
		\$		\$	\$	\$	\$
Balance as of May 31, 2015	24,000,000	500,000	7,900,000	515,000	(30,000)	(367,394)	617,606
Share insurance cost	-	-	-	-	(14,834)	-	(14,834)
Net income (Loss)	-	-	-	-	-	(931,844)	(931,844)
Balance as of November 30, 2015	24,000,000	500,000	7,900,000	515,000	(44,834)	(1,299,238)	(329,072)

Supplemental disclosure with respect to shareholders' equity (Note 7)

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

ELEMENT LIFESTYLE RETIREMENT INC.
STATEMENTS OF CASH FLOWS
(UNAUDITED)
FOR THE THREE AND SIX MONTH PERIODS ENDED NOVEMBER 30,

	Three Months Ended November 30,		Six Months Ended November 30,	
	2015	2014	2015	2014
CASH FLOWS USED IN OPERATING ACTIVITIES				
Income (Loss) for the period	\$ (553,427)	\$ 37,379	\$ (931,844)	\$ 259,892
Items not affecting cash:				
Amortization	9,546	2,187	18,902	2,381
Changes in non-cash working capital:				
Accounts receivable	41,775	(85,692)	30,625	(137,365)
Other accounts receivable	(82,831)	-	(114,228)	8,911
Advance	-	43,500	-	43,500
Prepaid expenses	(27,500)	(12,819)	(27,500)	(694)
Tax Receivables	(7,816)	24,529	(54,352)	36,598
Accounts payable and accrued liabilities	(30,095)	45,510	(49,150)	13,640
Deferred revenue	500,000	-	500,000	-
Net cash used in operating activities	(150,348)	54,594	(627,547)	226,863
CASH FLOWS USED IN INVESTING ACTIVITIES				
Purchase of capital assets	(1,939)	(35,875)	(3,262)	(35,875)
Net cash used in investing activities	(1,939)	(35,875)	(3,262)	(35,875)
CASH FLOWS USED IN FINANCING ACTIVITIES				
Due from related party	(43,702)	33,304	(3,024)	31,798
Share issuance costs	(4,933)	-	(14,835)	-
Net cash used in financing activities	(48,635)	33,304	(17,859)	31,798
CHANGE IN CASH DURING THE PERIOD	(200,922)	52,023	(648,668)	222,786
CASH, BEGINNING OF THE PERIOD	303,419	267,501	751,165	96,738
CASH, END OF THE PERIOD	\$ 102,497	\$ 319,524	\$ 102,497	\$ 319,524

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

ELEMENT LIFESTYLE RETIREMENT INC.
NOTES TO INTERIM FINANCIAL STATEMENTS
(UNAUDITED)
FOR THE PERIOD ENDED NOVEMBER 30, 2015

1. NATURE AND CONTINUANCE OF OPERATIONS

Element Lifestyle Retirement Inc. (“Element”) (Formally Care Pacific Management Inc.) was incorporated under the Business Corporations Act (British Columbia) on June 12, 2013. Element provides specialized development expertise and flexible, innovative management services for senior retirement communities. The head office of Element is located at 1147 Homer Street, Vancouver, BC, V6B 2Y1.

Element offers management, consulting and project development services to entities that provide Independent Living, Assisted Living, Memory Care and Complex Care Lifestyles – that allows seniors to take advantage of different levels of care, culinary, housekeeping and leisure services as they age.

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

During the period ended November 30, 2015, the Company experienced losses and negative operating cash flows. The Company expects to generate income in the development of its business. Management has estimated that the Company will meet its obligations and maintain its operations to support of its creditors and realize profits from future operations.

As of November 30, 2015 and May 31, 2015, the Company reported the following:

	November 30, 2015	May 31, 2015
Net Income (loss) for the period	\$(931,844)	\$(81,241)
Deficit	1,299,238	367,394
Working capital	(544,462)	386,577

ELEMENT LIFESTYLE RETIREMENT INC.
NOTES TO INTERIM FINANCIAL STATEMENTS
(UNAUDITED)
FOR THE PERIOD ENDED NOVEMBER 30, 2015

2. STATEMENT OF COMPLIANCE

These unaudited condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to the preparation of interim financial statements, including International Accounting Standards 34, Interim Financial Reporting (“IAS 34”) as issued by the International Accounting Standards Board (“IASB”). The accounting policies applied in the preparation of these unaudited condensed interim financial statements are consistent with those applied and disclosed in the Company’s audited financial statements for the year ended May 31, 2015, except as noted below. These unaudited condensed interim financial statements should be read in conjunction with the Company’s audited financial statements for the year ended May 31, 2015, which have been prepared in accordance with IFRS as issued by the IASB. These condensed interim financial statements were authorized for issue by the Audit Committee on January 26th, 2016.

3. BASIS OF PRESENTATION

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

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

In preparing these condensed 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, 2015.

The significant judgments made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those applied to the annual audited financial statements for the year ended May 31, 2015.

5. RECENT ACCOUNTING PRONOUNCEMENTS

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or the International Financial Reporting Interpretations Committee (“IFRIC”) that are mandatory for future accounting periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

IFRS 9, Financial Instruments (“IFRS 9”) IFRS 9 is tentatively effective for years commencing on or after January 1, 2018, and will replace IAS 39, Financial Instruments: Recognition and Measurement. Under IFRS 9, financial assets and liabilities will be classified and measured based on the business model in which they are held and the characteristics of the associated contractual cash flows. IFRS 9 also includes a new general hedge accounting standard which will better align hedge accounting and risk management.

IFRS 15, Revenue from Contracts with Customers (“IFRS 15”) IFRS 15 is effective for years commencing on or after January 1, 2017, and replaces IAS 11, Construction Contracts; IAS 18, Revenue; IFRIC 13, Customer Loyalty Programmes; IFRIC 15, Agreements for the Construction of Real Estate; IFRIC 18, Transfer of Assets from Customers; and Standing Interpretations Committee (“SIC”) 31, Revenue – Barter Transactions Involving Advertising Services. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized.

The extent of the impact of adoption of these standards and interpretations on the financial statements of the Company has not yet been determined.

ELEMENT LIFESTYLE RETIREMENT INC.
NOTES TO INTERIM FINANCIAL STATEMENTS
(UNAUDITED)
FOR THE PERIOD ENDED NOVEMBER 30, 2015

6. FINANCIAL INSTRUMENTS

The Company classifies its fair value measurements in accordance with the three level fair value hierarchy as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, and

Level 3 – Inputs that are not based on observable market date

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

	Level 1	Level 2	Level 3	November 30, 2015	May 31, 2015
Financial Assets:					
Cash	\$ 102,497	-	-	\$ 102,497	\$ 751,165
Accounts receivable	13,125	-	-	13,125	43,750
Other accounts receivable	114,228	-	-	114,228	-
Financial Liabilities:					
Accounts payable and accrued liabilities	\$ 107,692	-	-	\$ 107,692	\$ 156,842
Due to related party	196,976	-	-	196,976	200,000

Element’s financial instruments are exposed to a number of risks that are summarized below:

Credit Risk

Financial instruments that potentially subject Element to concentrations of credit risks consist principally of cash and accounts receivable. To minimize the credit risk on cash Element places the instrument with a high credit quality financial institution. Element 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 Element may encounter difficulties in meeting its obligations associated with financial liabilities and commitments.

As at November 30, 2015, the Company had a negative working capital of (\$422,216) (May 31, 2015: \$386,577). To support the Company’s working capital, Element had successfully financed \$4.325 million through private placements as at December 2, 2015.

ELEMENT LIFESTYLE RETIREMENT INC.
NOTES TO INTERIM FINANCIAL STATEMENTS
(UNAUDITED)
FOR THE PERIOD ENDED NOVEMBER 30, 2015

7. SHARE CAPITAL

Authorized:

Unlimited number of common shares without par value

Unlimited number of Class A preferred shares with par value of \$0.05 each

Unlimited number of Class B preferred shares with par value of \$0.10 each

Issued and outstanding:

	Common shares		Preferred shares Class A		Preferred shares Class B	
	Shares	Amount	Shares	Amount	Shares	Amount
May 31, 2014	100	\$ 10		\$ -		\$ -
May 31, 2015	23,999,900	\$ 499,990	5,500,000	\$ 275,000	2,400,000	\$ 240,000
Balance, May 31, 2015	24,000,000	\$ 500,000	5,500,000	\$ 275,000	2,400,000	\$ 240,000
Balance, November 30, 2015	24,000,000	\$ 500,000	5,500,000	\$ 275,000	2,400,000	\$ 240,000

On May 31, 2015, Element converted \$499,990 shareholder loans to Common shares at \$0.021 per common share.

On May 31, 2015, Element issued 5,500,000 Class A preferred shares at \$0.05 per share in the amount of \$275,000 and 2,400,000 Class B preferred shares at \$0.10 per share in the amount of \$240,000.

Share issuance cost for the new preferred shares is in the amount of \$44,834.

8. KEY MANAGEMENT COMPENSATION

The remuneration of key management is set out below in aggregate for each of the categories specified in IAS 24, Related Party Disclosures.

	Three Months Ended November 30,		Six Months Ended November 30,	
	2015	2014	2015	2014
Salaries and short-term employee benefits	\$ 388,400	\$ 379,517	\$ 607,688	\$ 558,017
Total	\$ 388,400	\$ 379,517	\$ 607,688	\$ 558,017

9. RELATED PARTY TRANSACTIONS

For the three months ended November 30, 2015, Element received consulting fees of \$nil (2014: \$500,000) and deferred revenue of \$500,000 (2014: \$nil) from companies with the members of the same group of shareholders.

For the three months ended November, 2015, Element paid the subcontract fees of \$nil (2014: \$59,125) to a certain senior officer and consulting fees of \$17,000 (2014: \$nil) to a certain director and consulting fees of \$7,000 (2014: \$nil)

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NOTES TO INTERIM FINANCIAL STATEMENTS
(UNAUDITED)
FOR THE PERIOD ENDED NOVEMBER 30, 2015

to a certain senior officer. In addition, Element paid the rent of \$17,493 (2014: \$nil) to a company controlled by one of the key executives and shareholders.

As at November 30, 2015, there was \$196,977 (2014: \$nil) owing to Companies controlled by the members of the same group of shareholders.

10. REVERSE TAKEOVER

The Company entered into a definitive shares purchase and sale agreement dated August 27, 2015 (the “Definitive Agreement”) with Sonoma for a reverse--takeover transaction (the “Transaction”) as contemplated in the Letter of Intent dated June 24, 2015. It is anticipated that upon completion of the Transaction, the Company will trade as a Tier 2 Industrial Issuer on the Exchange. As at November 30, 2015, Element had paid \$114,228 which includes Sonoma’s outstanding debt obligation, professional fees and fees to maintain Sonoma’s public company status with TSXV.

11. SUBSEQUENT EVENT

On December 2nd, the Company changed its name to Element Retirement Management Inc.

On December 2nd, the Company completed the reverse—takeover transaction and became a wholly-owned subsidiary of Element Lifestyle Retirement Inc. (formally Sonoma Resources Inc.) and successfully traded on TSXV.