

ELEMENT LIFESTYLE RETIREMENT INC.

Unaudited Condensed Consolidated Interim Financial Statements

Three and Nine Months Ended February 28, 2022 and 2021

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

As at	February 28, 2022	May 31, 2021
ASSETS		
Current		
Cash	\$ 653,344	\$ 102,050
Accounts receivable and other receivables (Note 5)	84,000	150,417
Note receivable	-	204,247
Prepaid expenses	22,105	15,503
Due from related parties (Note 12)	815,376	1,403,050
Total current assets	1,574,825	1,875,267
Long term investment (Note 7)	69	19
Property and equipment (Note 6)	25,942	81,793
Trade-marks	27,147	27,147
Total assets	\$ 1,627,983	\$ 1,984,226
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 8)	\$ 125,081	\$ 186,845
Lease liabilities- current (Note 10)	-	48,400
Total current liabilities	125,081	235,265
Long term liabilities		
Convertible debentures (Note 9)	2,379,939	2,197,374
Total liabilities	2,505,020	2,432,639
SHAREHOLDERS' DEFICIT		
Share capital (Note 11)	9,166,702	9,166,702
Share issuance costs	(260,385)	(260,385)
Reserve - options (Note 11)	52,549	73,197
Equity component of convertible debentures (Note 9)	677,998	677,998
Contributed surplus (Note 11)	579,017	558,369
Deficit	(11,092,918)	(10,664,294)
Total shareholders' deficit	(877,037)	(448,413)
Total liabilities and shareholders' deficit	\$ 1,627,983	\$ 1,984,226

On behalf of the Board

"John Gilbert" Director

"Michael Diao" Director

The accompanying notes are an integral part of these condensed 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		Nine Months Ended	
	Feb 28, 2022	Feb 28, 2021	Feb 28, 2022	Feb 28, 2021
REVENUE				
Consulting fees (Note 12)	\$ 686,667	\$ 20,000	\$ 813,201	\$ 20,000
Management fees (Note 12)	60,000	60,000	180,000	180,000
	746,667	80,000	993,202	200,000
EXPENSES				
Accretion expenses	62,481	56,173	182,565	164,135
Advertising and promotion	12,942	15,822	50,620	42,172
Amortization	10,204	46,786	57,551	139,682
Consulting fees	1,118	-	7,555	426
General & administration	60,651	36,712	156,392	139,714
Interest expenses	43,924	43,926	131,772	131,776
Professional fees	14,112	4,838	29,463	24,274
Rent	21,522	13,081	59,942	35,984
Salaries, wages and benefits	252,552	239,328	737,115	640,979
Travel	21,324	2,691	43,362	9,867
	500,830	459,357	1,456,337	1,329,009
OTHER INCOME				
Other income (Loss)	-	(2,463)	4,511	20,311
Rental income	-	15,000	30,000	45,000
LOSS AND COMPREHENSIVE LOSS	\$ 245,837	\$ (366,820)	\$ (428,624)	\$ (1,063,698)
Basic and diluted loss per common share	\$ 0.003	\$ (0.005)	\$ (0.006)	\$ (0.015)
Weighted average number of shares outstanding	70,478,299	70,478,299	70,478,299	70,478,299

The accompanying notes are an integral part of these condensed 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, 2020	70,478,299 \$	9,166,702 \$	- \$	487,255 \$	677,998 \$	144,311 \$	(260,385) \$	(9,136,026) \$	1,079,855
Comprehensive income for the period	-	-	-	-	-	-	-	(1,063,698)	(1,063,698)
Balance, Feb 28, 2021	70,478,299 \$	9,166,702 \$	- \$	487,255 \$	677,998 \$	144,311 \$	(260,385) \$	(10,199,724) \$	16,157

	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, 2021	70,478,299 \$	9,166,702 \$	- \$	558,369 \$	677,998 \$	73,197 \$	(260,385) \$	(10,664,294) \$	(448,413)
Expired options <i>(Note 11)</i>	-	-	-	20,648	-	(20,648)	-	-	-
Comprehensive income for the period	-	-	-	-	-	-	-	(428,624)	(428,624)
Balance, Feb 28, 2022	70,478,299 \$	9,166,702 \$	- \$	579,017 \$	677,998 \$	52,549 \$	(260,385) \$	(11,092,918) \$	(877,037)

The accompanying notes are an integral part of these condensed 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		Nine Months Ended	
	Feb 28, 2022	Feb 28, 2021	Feb 28, 2022	Feb 28, 2021
CASH FLOWS USED IN OPERATING ACTIVITIES				
Income (loss) for the period	\$ 245,837	\$ (345,988)	\$ (428,624)	\$ (696,869)
Items not affecting cash:				
Amortization	10,204	46,297	57,551	92,896
Accretion expenses	62,481	54,699	182,565	107,961
Interest expense	-	1,176	600	2,595
Changes in non-cash working capital:				
Account receivables	63,237	(26,046)	66,417	(29,883)
Note receivable	-	-	204,247	-
Prepaid expenses	11,814	(911)	(6,602)	6,058
Account payables and accrued liabilities	(20,604)	27,219	(61,764)	(29,896)
	372,969	(243,554)	14,390	(547,138)
CASH FLOWS USED IN INVESTING ACTIVITIES				
Purchase of property and equipment	-	(3,265)	(1,700)	(3,265)
CASH FLOWS USED IN FINANCING ACTIVITIES				
Due from related parties	(26,664)	450,073	587,604	617,647
Repayment of other long-term liabilities	(7,000)	(21,000)	(49,000)	(42,000)
	(33,664)	429,073	538,604	575,647
CHANGE IN CASH DURING THE PERIOD	339,305	180,254	551,294	25,244
CASH, BEGINNING OF THE PERIOD	314,039	180,898	102,050	335,908
CASH, END OF THE PERIOD	\$ 653,344	\$ 361,152	\$ 653,344	\$ 361,152

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

ELEMENT LIFESTYLE RETIREMENT INC.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and nine months ended February 28, 2022 and 2021

(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”) (formerly “Sonoma Resources Inc.” “Sonoma”) 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., Element Medical Equipment Inc., and Aquara GP Ltd.

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.

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 interim

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consolidated financial statements have been prepared on a basis consistent with the accounting policies disclosed in the May 31, 2021 audited annual consolidated financial statements. 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, 2021, 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 April 28, 2022.

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 Medical Equipment Inc., which was incorporated in British Columbia – owned 100% by the Company.
- Aquara GP Ltd., 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.

ELEMENT LIFESTYLE RETIREMENT INC.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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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, 2021.

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, 2021.

5. ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	Feb 28, 2022	May 31, 2021
Accounts receivable	\$ 84,000	\$ 35,466
GST receivable	-	114,951
	\$ 84,000	\$ 150,417

As of February 28, 2022, 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 and six months ended February 28, 2022 and year ended May 31, 2021 were as follows:

	Furniture & fixtures	Computer equipment	Computer software	Leasehold improvement	Right-of-use assets	Total
Cost						
May 31, 2021	\$ 60,787	\$ 81,572	\$ 19,959	\$ 459,216	\$ 204,144	\$ 825,678
Additions	-	-	1,700	-	-	1,700
February 28, 2022	60,787	81,572	21,659	459,216	204,144	827,378
Accumulated amortization						
May 31, 2021	41,407	68,320	18,327	438,283	177,548	743,885
Additions	2,907	5,466	1,649	20,933	26,596	57,551
February 28, 2022	44,314	73,786	19,976	459,216	204,144	801,436
Net book value						
May 31, 2021	\$ 19,380	\$ 13,252	\$ 1,632	\$ 20,933	\$ 26,596	\$ 81,793
February 28, 2022	\$ 16,473	\$ 7,786	\$ 1,683	-	-	\$ 25,942

ELEMENT LIFESTYLE RETIREMENT INC.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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(All dollar amounts expressed in Canadian dollars)

7. LONG TERM INVESTMENT

	Feb 28, 2022	May 31, 2021
Long term investment	\$ 19	\$ 19
Investment in Associate	50	-
	\$ 69	\$ 19

On September 1, 2021 the Company transferred 50 shares of Element Lifestyle (Vic Harbour West) Inc. to a third party for One (\$1.00) Dollar thus forming a joint venture in developing the Company's Aquara property in Victoria, BC. According to IFRS 11, Element Lifestyle (Vic Harbour West) Inc. was changed from a wholly owned subsidiary to an investment in Associate of the Company.

8. ACCOUNTS PAYABLE AND OTHER PAYABLES

	Feb 28, 2022	May 31, 2021
Accounts payable and accrued liabilities	\$ 79,492	\$ 99,417
Interest payable	29,284	73,212
Salaries and benefits payable	16,305	14,236
	\$ 125,081	\$ 186,865

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 February 28, 2022 and May 31, 2021:

	Feb 28, 2022	May 31, 2021
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	905,607	501,220
Loan portion of convertible loan	\$ 2,379,939	\$ 1,975,552

	Feb 28, 2022	May 31, 2021
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

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10. LEASE LIABILITIES

The office lease which expired on December 31, 2021 extended to December 31, 2024. In March 2022, it confirmed to be terminated on September 30, 2022.

11. SHARE CAPITAL

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

Issued or allotted and fully paid:

a) Common shares

During the period ended February 28, 2022, the Company did not issue any new shares.

b) Warrants

There were no warrants outstanding during the period ended February 28, 2022.

c) Stock-based compensation reserve

The following table reflects the stock-based compensation options issued and outstanding as at February 28, 2022 and May 31, 2021:

	Number of options	Weighted Average Exercise Price
Balance – May 31, 2021	560,000	\$ 0.25
Expired	(160,000)	-
Balance – February 28, 2022	400,000 ^(*)	\$ 0.25

(*)400,000 stock options expire on September 28, 2022.

On February 24, 2022, 160,000 stock options expired. As of February 28, 2022, the weighted average remaining contractual life of the options issued and outstanding is 0.66 years.

12. RELATED PARTY TRANSACTIONS

During the period ended February 28, 2022, the Company:

- (a) Received management fee revenue of \$60,000 (2021: \$60,000) from a company controlled by a director;

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- (b) Received consulting fee revenue of \$686,667 (2021: \$nil) from Aquara LP;
- (c) paid rent of \$21,522 (2021: \$34,081) to a company controlled by a director;
- (d) incurred director fees of \$10,000 (2021: \$5,000) regarding the Company's independent directors;
- (e) paid \$11,961 (2021: \$nil) for expenses on behalf of Aquara Development Corporation;
- (f) \$5,286 (2021: \$176,587) of expenses paid by the companies controlled by a director; and

As at February 28, 2022, \$48,103 (May 31, 2021: \$nil) was receivable from a certain director and \$579,304 (May 31, 2021: \$171,475) was payables to the companies controlled by certain directors.

As at February 28, 2022, \$1,272,303 (May 31, 2021: \$1,572,545) was receivable from Aquara LP for the development costs and fundraising costs paid on behalf of Aquara project.

As at February 28, 2022, \$74,274 (May 31, 2021: \$nil) was receivable from Element Lifestyle (Vic Harbour West) Inc. for transferring assets and liabilities before transferred 50 shares to a third party.

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.

13. KEY MANAGEMENT COMPENSATION

The compensation paid or payable to key management personnel during the three and nine months ended February 28, 2022 and 2021 were as follows:

	Three Months Ended		Nine Months Ended	
	Feb 28, 2022	Feb 28, 2021	Feb 28, 2022	Feb 28, 2021
Salaries and short-term employee benefits	\$ 122,732	\$ 109,099	\$ 379,068	\$ 327,935
Total	\$ 122,732	\$ 109,099	\$ 379,068	\$ 327,935

14. FINANCIAL INSTRUMENTS

Fair value of financial instruments

As at February 28, 2022, the Company's financial instruments consisted of cash, accounts receivable and other receivables except GST receivable, note receivable, due from related parties, account payables and other payables

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except GST payable, convertible debentures and lease liabilities. The fair values of accounts receivable and other receivables, note receivable, due from related parties, and account payables and other payables 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 data.

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	Feb 28, 2022	May 31, 2021
Financial Assets:					
Cash	\$ 653,344	\$ -	\$ -	\$ 653,344	\$ 102,050
Accounts receivable and other receivables	84,000	-	-	84,000	150,417
Note receivable	-	-	-	-	204,247
Due from related parties	815,376	-	-	815,376	1,403,050
Total financial assets	\$ 1,552,720	\$ -	\$ -	\$ 1,552,720	\$ 1,859,764
Financial Liabilities:					
Accounts payable and other payables	\$ 92,068	\$ -	\$ -	\$ 92,068	\$ 186,865
Convertible debentures	-	-	2,379,939	2,379,939	2,197,374
Lease liabilities	-	-	-	-	48,400
Total financial liabilities	\$ 92,068	\$ -	\$ 2,379,939	\$ 2,472,007	\$ 2,432,639

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, accounts receivable and 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.

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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 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.

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 February 28, 2022, 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.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or by factors affecting all similar financial instruments traded in the market. The Company is not exposed to significant other price risk as the Company earns contractually agreed fixed management fees and consulting fees that do not fluctuate based on market prices.

15. 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,

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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.

16. SUBSEQUENT EVENT

There were no subsequent events that need disclosure.