

ELEMENT LIFESTYLE RETIREMENT INC.

Unaudited Condensed Consolidated Interim Financial Statements

Three and Nine Months Ended February 28, 2023 and 2022

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, 2023	May 31, 2022
ASSETS		
Current		
Cash	\$ 211,617	\$ 232,427
Accounts receivable (Note 5)	95,954	930,892
Prepaid expenses	12,870	15,124
Due from related parties (Note 11)	58,957	49,467
Total current assets	379,398	1,227,910
Long term investment (Note 7)	913,089	69
Long term receivables (Note 5)	203,405	337,773
Long term note receivable (Note 7)	-	555,752
Property and equipment (Note 6)	23,768	25,499
Trade-marks	27,147	27,147
Total assets	\$ 1,546,807	\$ 2,174,150
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 8)	\$ 75,826	\$ 200,370
Long term liabilities		
Convertible debentures (Note 9)	1,768,767	2,444,105
Total liabilities	1,844,593	2,644,475
SHAREHOLDERS' DEFICIT		
Share capital (Note 10)	9,166,702	9,166,702
Share issuance costs	(260,385)	(260,385)
Reserve - options (Note 10)	-	52,548
Equity component of convertible debentures (Note 9)	419,525	677,998
Contributed surplus (Note 10)	1,309,564	579,018
Deficit	(10,933,192)	(10,686,206)
Total shareholders' deficit	(297,786)	(470,325)
Total liabilities and shareholders' deficit	\$ 1,546,807	\$ 2,174,150

On behalf of the Board

"John Gilbert" Director

"Michael Diao" Director

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

	Three Months Ended		Nine Months Ended	
	Feb 28, 2023	Feb 28, 2022	Feb 28, 2023	Feb 28, 2022
REVENUE				
Consulting fees	\$ 170,000	\$ 686,667	\$ 563,846	\$ 813,202
Management fees	60,000	60,000	180,000	180,000
	230,000	746,667	743,846	993,202
EXPENSES				
Accretion expenses <i>(Note 7)</i>	39,334	62,481	(46,795)	182,565
Advertising and promotion	12,409	12,942	55,791	50,620
Amortization	2,442	10,204	6,871	57,551
Consulting fees	-	1,118	-	7,555
General & administration	37,145	60,651	132,580	156,392
Interest expenses	40,383	43,924	123,760	131,772
Professional fees	16,527	14,112	46,037	29,463
Rent	-	21,522	29,861	59,942
Salaries, wages and benefits	245,288	252,552	752,102	737,115
Travel	12,077	21,324	71,548	43,362
	405,605	500,830	1,171,755	1,456,337
OTHER INCOME				
Other income (Loss)	-	-	25,756	4,511
Rental income	-	-	-	30,000
INCOME (LOSS) BEFORE INCOME TAXES	(175,605)	245,837	(402,153)	(428,624)
INCOME TAXES				
Deferred income tax recovery	-	-	155,167	-
LOSS AND COMPREHENSIVE LOSS	\$ (175,605)	\$ 245,837	\$ (246,986)	\$ (428,624)
Basic and diluted loss per common share	\$ (0.002)	\$ 0.003	\$ (0.004)	\$ (0.006)
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
(Expressed in Canadian dollars - Unaudited)

	Common shares outstanding	Paid-in capital	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	-	-	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)

	Common shares outstanding	Paid-in capital	Contributed surplus	Equity component of convertible debenture	Stock-based compensation reserve	Share issuance costs	Deficit	Total
Balance, May 31, 2022	70,478,299 \$	9,166,702 \$	579,018 \$	677,998 \$	52,548 \$	(260,385) \$	(10,686,206) \$	(470,325)
Expired options <i>(Note 10)</i>	-	-	52,548	-	(52,548)	-	-	-
Matured Equity component of convertible debenture <i>(Note 9)</i>	-	-	677,998	(677,998)	-	-	-	-
Equity component of convertible debenture <i>(Note 9)</i>	-	-	-	419,525	-	-	-	419,525
Comprehensive income for the period	-	-	-	-	-	-	(246,986)	(246,986)
Balance, Feb 28, 2023	70,478,299 \$	9,166,702 \$	1,309,564 \$	419,525 \$	- \$	(260,385) \$	(10,933,192) \$	(297,786)

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

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

	Three Months Ended		Nine Months Ended	
	Feb 28, 2023	Feb 28, 2022	Feb 28, 2023	Feb 28, 2022
CASH FLOWS USED IN OPERATING ACTIVITIES				
Income (loss) for the period	\$ (175,605)	\$ 245,837	\$ (246,986)	\$ (428,624)
Items not affecting cash:				
Amortization	2,442	10,204	6,871	57,551
Accretion expenses	39,334	62,481	(46,795)	182,565
Interest expense (income)	-	-	(25,751)	600
Deferred tax recovery	-	-	(155,167)	-
Changes in non-cash working capital:				
Account receivables	60,864	63,237	834,938	66,417
Note receivable	-	-	-	204,247
Prepaid expenses	(8,166)	11,814	2,254	(6,602)
Account payables and accrued liabilities	(289,562)	(20,604)	(124,544)	(61,764)
	(370,693)	372,969	244,820	14,390
CASH FLOWS USED IN INVESTING ACTIVITIES				
Purchase of property and equipment	(1,606)	-	(5,140)	(1,700)
CASH FLOWS USED IN FINANCING ACTIVITIES				
Due from related parties	40,024	(26,664)	(9,490)	587,604
Repayment of other long-term liabilities	-	(7,000)	(251,000)	(49,000)
	40,024	(33,664)	(260,490)	538,604
CHANGE IN CASH DURING THE PERIOD	(332,275)	339,305	(20,810)	551,294
CASH, BEGINNING OF THE PERIOD	543,892	314,039	232,427	102,050
CASH, END OF THE PERIOD	\$ 211,617	\$ 653,344	\$ 211,617	\$ 653,344

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

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 consolidated financial statements have been prepared on a basis consistent with the accounting policies disclosed in the May 31, 2022 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, 2022, 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 26, 2023.

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.

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, 2022.

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, 2022.

5. ACCOUNTS RECEIVABLE

Accounts receivable for the period ended February 28, 2023 and May 31, 2022 are as follows:

		Feb 28, 2023		May 31, 2022
Accounts receivable	\$	95,954	\$	930,462
Other receivables		-		430
	\$	95,954	\$	930,892

On an undiscounted basis long term receivables for the period ended February 28, 2023 and May 31, 2022 are as follows:

		Feb 28, 2023		May 31, 2022
Accounts receivable	\$	245,000	\$	245,000
Interest receivables		-		183,023
	\$	245,000	\$	428,023

The total long-term receivable balance of \$203,405 was the discounted value of the accounts receivable \$245,000 (May 31, 2022: \$245,000) relates to consulting fees from Aquara LP. It has been discounted at seven percent (7%), resulting in a carrying value of \$203,405 (May 31, 2022: \$193,341), the difference between this amount and the undiscounted value going through accretion expense.

As of February 28, 2023, 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 six months ended November 30, 2022 and year ended May 31, 2022 were as follows:

	Furniture & fixtures	Computer equipment	Computer software	Total
Cost				
May 31, 2022	\$ 63,208	\$ 82,955	\$ 21,659	167,822
Additions	1,634	1,606	1,900	5,140
February 28, 2023	64,842	84,561	23,559	172,962
Accumulated amortization				
May 31, 2022	45,525	75,989	20,809	142,323
Additions	2,775	2,984	1,113	6,871
February 28, 2023	48,300	78,973	21,921	149,194
Net book value				
May 31, 2022	\$ 17,683	\$ 6,966	\$ 850	\$ 25,499
February 28, 2023	\$ 16,542	\$ 5,588	\$ 1,638	\$ 23,768

7. LONG TERM INVESTMENT

	Feb 28, 2023	May 31, 2022
Long term investment	\$ 913,039	\$ 19
Investment in Associate	50	50
	\$ 913,089	\$ 69

On October 31, 2022, the promissory note from Aquara Limited Partnership issued on September 30, 2018 was converted into 913 units of Aquara Limited Partnership. The aggregate amount of \$913,020.43 comprises of the principal amount of \$704,247.00 plus interest in the amount of \$208,773.43. The Company reversed the associated accretion expenses of \$187,086 which resulted from the difference between undiscounted value and the discounted the principal amount plus interest at seven percent (7%) in the previous periods.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	Feb 28, 2023	May 31, 2022
Accounts payable and accrued liabilities	\$ 23,716	\$ 64,701
Interest payable	29,205	73,212
GST payable	8,456	50,281
Salaries and benefits payable	14,449	12,176
	\$ 75,826	\$ 200,370

9. CONVERTIBLE DEBENTURES

On August 29, 2017, the Company issued \$2,510,000 in unsecured convertible debentures (the “Debentures”). It matured on August 29, 2022. On August 19, 2022, The Debentures were extended to August 29, 2025, bearing interest at 7% per annum with a term of three years. Each Debenture is convertible into common shares of the Company at a price of \$0.30 per share. In consideration for the Extension, the Company repaid 10% of the principal to the holders, in the aggregate amount of \$251,000.

The following table summarizes the Company’s convertible debentures as at February 28, 2023 and May 31, 2022:

	Feb 28, 2023	May 31, 2022
Issued	\$ 2,259,000	\$ 2,510,000
Equity portion of convertible loan - Gross	(574,692)	(971,199)
Financing fees	-	(64,469)
Accretion expense	84,459	969,773
Loan portion of convertible loan	\$ 1,768,767	\$ 2,444,105

	Feb 28, 2023	May 31, 2022
Equity portion of convertible loan - Gross	\$ 574,692	\$ 971,199
Equity portion of financing cost	-	(40,689)
Deferred tax related to conversion feature	(155,167)	(252,512)
Equity portion of convertible loan - net	\$ 419,525	\$ 677,998

10. 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, 2023, the Company did not issue any new shares.

b) Stock-based compensation reserve

The following table reflects the stock-based compensation options issued and outstanding as at February 28, 2023 and May 31, 2022:

	Number of options	Weighted average exercise Price
Balance – May 31, 2022	400,000 \$	0.25
Expired	-400,000 (*)	0.25
Balance – November 30, 2023	- \$	-

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

11. RELATED PARTY TRANSACTIONS

During the period ended February 28, 2023, the Company:

- (a) Received management fee revenue of \$60,000 (2022: \$60,000) from a company controlled by a director;
- (b) charged consulting fee revenue of \$150,000 (2022: \$nil) from Aquara Development Corporation;
- (c) incurred director fees of \$10,000 (2022: \$10,000) regarding the Company's independent directors;
- (d) paid subcontractor fees \$22,500 (2022: \$18,750) to a company controlled by a certain officer;
- (e) paid \$12,665 (2022: \$11,961) for the expenses on behalf of Aquara Development Corporation;

As at February 28, 2023, \$23,012 (May 31, 2022: \$71,484) was receivable from a certain director for travel expenses and \$537,865 (May 31, 2022: \$562,679) was payable from the companies controlled by certain directors.

As at February 28, 2023, \$469,356 (May 31, 2022: \$465,364) was receivable from Aquara LP for the development costs and fundraising costs paid on behalf of Aquara project. \$33,158 (May 31, 2022: \$nil) was receivable from Aquara Development Corporation for the development costs paid on behalf of Aquara project.

As at February 28, 2023, \$71,285 (May 31, 2022: \$75,298) was receivable from Element Lifestyle (Vic Harbour West) Inc..

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

12. KEY MANAGEMENT COMPENSATION

The compensation paid or payable to key management personnel during the three months and six months ended February 28, 2023 and 2022 were as follows:

	Three Months Ended		Nine Months Ended	
	Feb 28, 2023	Feb 28, 2022	Feb 28, 2023	Feb 28, 2022
Salaries and short-term employee benefits	\$ 93,365	\$ 126,482	\$ 352,426	\$ 382,818
Total	\$ 93,365	\$ 126,482	\$ 352,426	\$ 382,818

13. FINANCIAL INSTRUMENTS

Fair value of financial instruments

As at February 28, 2023, the Company's financial instruments consisted of cash, accounts receivable except GST receivable, due from related parties, long term receivables, accounts payable and accrued liabilities, and convertible debentures. The fair values of accounts receivable, due from related parties, and accounts payable and accrued liabilities approximate their carrying values because of their current nature.

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

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

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

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

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

	Level 1	Level 2	Level 3	Feb 28, 2023	May 31, 2022
Financial Assets:					
Cash	\$ 211,617	\$ -	\$ -	\$ 211,617	\$ 232,427
Accounts receivable	95,954	-	-	95,954	930,892
Due from related parties	58,957	-	-	58,957	49,467
Long term receivable	-	-	203,405	203,405	-
Long term note receivables	-	-	-	-	555,752
Total financial assets	\$ 366,528	\$ -	\$ 203,405	\$ 569,933	\$ 1,768,538
Financial Liabilities:					
Accounts payable and accrued liabilities	\$ 67,370	\$ -	\$ -	\$ 67,370	\$ 186,865
Convertible debentures	-	-	1,768,767	1,768,767	2,197,374
Lease liabilities	-	-	-	-	48,400
Total financial liabilities	\$ 67,370	\$ -	\$ 1,768,767	\$ 1,836,137	\$ 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.

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 November 30, 2021, 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.

14. CAPITAL MANAGEMENT

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

The Company's objectives when managing capital are to: (i) maintain a capital structure that provides financing options to the Company for accessing capital, on commercially reasonable terms, without exceeding its debt capacity,

or taking on undue risks; (ii) maintain financial flexibility in order to preserve its ability to meet financial obligations; and (iii) deploy capital to provide an appropriate investment return to its shareholders.

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

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

16. SUBSEQUENT EVENT

There were no subsequent events that need disclosure.