

**ELEMENT LIFESTYLE RETIREMENT INC.
MANAGEMENT'S DISCUSSION
AND ANALYSIS**

For the Three and Six Months Ended November 30, 2022

Dated as of January 25, 2023

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ELEMENT LIFESTYLE RETIREMENT INC.

Management's Discussion and Analysis

For the Three and Six Months Ended November 30, 2022

The Management's Discussion and Analysis ("MD&A") of Element Lifestyle Retirement Inc. ("Element" or the "Company"), has been prepared by management as of January 26, 2023 and provides information that management believes is relevant to assessing and understanding the financial condition of the Company and the results of its operation and cash flows for the three and six months ended November 30, 2022. This MD&A provides information on the operations of the Company and should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three and six months ended November 30, 2022, and the audited consolidated financial statements and accompanying notes of the Company for the years ended May 31, 2022.

The Company's unaudited condensed consolidated interim financial statements and audited consolidated financial statements and the notes thereto have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and are reported in Canadian dollars. References to notes are to notes of the unaudited condensed consolidated interim financial statements for the three and six months ended November 30, 2022, unless otherwise stated.

1. Corporate Background

The Company (formerly Sonoma Resources Inc., "Sonoma") was incorporated under the British Columbia Company Act on May 31, 2007. On December 2, 2015, the Company completed a Share Exchange Agreement with the security holders of Element Lifestyle Management Inc. (formerly known as Element Lifestyle Retirement Inc.), a private company which was incorporated under the Business Corporations Act (British Columbia) on June 12, 2013. Pursuant to which the Element Lifestyle Management Inc. (formerly known as Element Lifestyle Retirement Inc.) security holders transferred all of their common and preferred shares in exchange for common shares of Sonoma on a 1:1 basis.

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Element Lifestyle Management Inc. (formerly known as Element Lifestyle Retirement Inc.), Aquara GP Ltd., Element Medical Equipment Inc. and Element Lifestyle Retirement (Hong Kong) Limited (formerly known as Team Host Development Ltd.) ("Element (Hong Kong)"). Element (Hong Kong) was incorporated in Hong Kong under the Companies Ordinance (Chapter 622 of the laws of Hong Kong) on February 23, 2016 and is a wholly-owned subsidiary of the Company. Element (Hong Kong) was incorporated to explore opportunities in Hong Kong and China.

The Company is a listed issuer on the TSX Venture Exchange ("TSXV") and its common shares trade under the symbol "ELM".

2. Core Business

Element is a retirement living specialist that exists to improve quality of life for seniors and their families. Collectively, Element's leadership team has well over 100 years' experience in real estate and master-planned community development, with specialization in hospitality management, and retirement community development and operations. The Company has comprehensive development expertise and is a vertically integrated organization that operates the communities that it develops under management contracts for terms of twenty years or longer.

The core business of Element has been the development and management of third-party assets in the "retirement community" space. Element's vibrant intergenerational aging-in-place model encompasses a seamless transition for older adults from independence to assisted living to complex care, while integrating both accommodation and activities for all ages. This enables older adults and their families to have peace of mind with the availability of

adaptive personalized support services in a purpose-built community that will accommodate residents' changing needs. The Company is changing the perception and experience of aging with its innovative model.

3. Principal Services

Element's key objective is providing two primary types of services to its client companies: (a) development services and (b) management services. Element is providing services to retirement communities owned by third parties. Element's strategy is to grow with fiscal prudence but seeks to minimize risk and investment in capital expenditures. To achieve this, Element's primary focus in the short term will be to offer its development and management expertise to third party owners and independent operators and to place asset ownership as a secondary priority. Element does not have an ownership interest in the three projects, Opal Vancouver ("Opal") (formerly Opal by Element), Opal Victoria ("Aqura") (formerly Aqura by Element), and Opal Langley ("Oasis") (formerly Oasis by Element).

(a) Development Services

The Company's development consulting services include property selection, assembly and acquisition; building and community design; municipal approval and land entitlement processes; financing; marketing, sales and leasing, and construction project management.

The development stage of a seniors' residence project is critical to the success, reputation and long-term sustainability of the business. When a residence has an optimal blend of suite mixture, layout and design, the business operates more effectively and efficiently. Purpose-built design can contribute greatly to overall resident and family satisfaction which in turn may contribute to reduced vacancy and increased profitability.

(b) Management Services

The Company can also provide expertise in day-to-day operations that ensure growth, profitability and retention. With its extensive expertise, Element is skilled in addressing every aspect of the daily operations of a seniors' living community, with services tailored to meet a resident's needs. Once the development stage is completed, Element will be providing long-term management of the facilities. The Company manages the administration, operation and financing of retirement communities and physical facilities. Under its model, Element will provide care and supportive services, activities programming and extensive amenities for various lifestyles, from Independent Living, Assisted Living, Complex Care to End-of-Life Care. The model aims to enable holistic wellness (mind, body and spiritual) and quality of life for seniors.

In summary, the Company oversees the entire development process and commits for the long term to manage ongoing operations and administration once development is completed. This vertically integrated concept is unique and sets the Company apart from other retirement operators in the industry.

Continuum of Lifestyles (Adaptive, Customized Support and Care)

Underpinning all of these services is the concept of client needs and service. The Company customizes its services to the unique preferences and objectives of residents of local communities where they can choose from a comprehensive package or select individual services that best meet their needs. Management recognizes that the Company's success, reputation and continued business relationships depend on the success of this mandate.

Element will emphasize that the "Continuum of Lifestyles" model of retirement living brings a positive impact to the way older adults experience their hard-earned, work-optional later years of life. Element's retirement communities are not merely places where care services are administered in a hospital-like environment; rather, they embody the intimacy and warmth of home, along with carefree living that inspires a sense of pride, dignity and passion for life through intergenerational activities, services and accommodations resembling those typically found in exclusive clubhouses and resorts.

A breakdown of the various Continuum of Lifestyles available is noted as follows:

Independent Living Lifestyle – designed to meet the needs of seniors who are able to live independently and want the freedom and privacy of their own separate suite, along with the security, comfort and social activities of a seniors' residence.

Assisted Living Lifestyle – designed to meet the needs of seniors who seek housing with supportive care and services including assistance with daily activities.

Complex Care – serves seniors that require higher levels of care and who have lost their independence. Care plans are carefully created in collaboration with the residents' care provider team to ensure the resident can enjoy activities of daily living in a safe and caring manner. It is staffed 24 hours a day/7 days per week by licensed nurses and care workers.

The Company takes the Continuum of Lifestyles model to the next level: the incorporation of intergenerational living so that not only seniors stay together, but all generations of family and community can be integrated in activities and programming, including childcare and education involving seniors. This concept brings families together, creating the ability for seniors, their children, and grandchildren to all live and interact within the same community if they choose to. This model builds community and a quality of life that is unparalleled in the industry and enhances the lives of seniors and their families.

4. Business Highlights

The Company is currently engaged in the development of three seniors' retirement communities, Opal Vancouver ("Opal") (formerly Opal by Element), Opal Victoria ("Aquara") (formerly Aquara by Element), and Opal Langley ("Oasis") (formerly Oasis by Element). Opal, Oasis and Aquara are owned by related parties (see "Related Party Transactions").

Opal Project

Element is the Development and Operations consultant to Opal Vancouver (Opal Development Limited Partnership). The approximate 142,000 square feet community is comprised of 44 seniors' residential condominium units, 56 seniors' rental units and 30 seniors' Licensed Care units. As of January 25, 2023, Opal Vancouver is currently engaged in leasing up the rental units. Condominium units are all sold and Licensed Care units are fully occupied.

Oasis Project

The project is a master-planned community on 17 acres of land in the Township of Langley, conveniently located across from the Langley Events Centre. The development is expected to be completed in phases and to consist of approximately 721,000 square feet of gross floor area for residential use with 835 residential units and 26,000 square feet of gross floor area for commercial use. The rezoning application for the 17 acres of land and the development permit application for the first 20-storey lifestyle retirement community with 70 seniors' residential condominium units, 84 seniors' rental units and 42 seniors' licenced care units were submitted to the Township of Langley and third reading was given by council on February 5, 2018, currently working towards achieving the final reading.

Aquara Project

The Aquara Project is located 2 minutes' walk from Victoria Harbour's waterfront boardwalk and new Victoria International Marina, and 5 minutes' drive to Downtown Victoria. It is part of a master planned community, which includes several existing highrise residential towers. Over the next few years, this vibrant, progressive neighbourhood will see the development of a cultural hub, a hotel, retail stores, trails and parks. Aquara is a five-storey concrete development consisting of approximately 153,000 square feet of gross floor area with 155 units with

a mixture of condo, rental and licenced care units. Excavation has been completed. The project engaged in some value engineering to reduce the construction cost. A Delegated Development Permit application to reflect the value-engineered items has been approved by the City of Victoria. Updates on building plans are in progress to reflect changes resulting from the value engineering exercise. Foundation Permit application has been approval and works have commenced in December 2022.

5. Future Business Opportunities

The management team continues to explore numerous business opportunities. The Company has made a significant investment in its people and strongly believes that this key asset is very important when building its corporate brand and engaging with prospective future business partners. The Company believes that it is critically important to have a strong operational team to not only properly investigate future business opportunities but also to ensure that development designs meet operational needs when projects are transitioned to long-term management contracts.

6. Financial Highlights

The following discussion of the Company's financial performance is based on the unaudited condensed consolidated interim statements of financial position as at November 30, 2022 and May 31, 2022, and the unaudited condensed consolidated interim statements of comprehensive income/ (loss) for three and six months ended November 30, 2022 and 2021.

The consolidated statements of financial position as of November 30, 2022 indicated a cash balance of \$543,892 (May 31, 2022 - \$232,427), accounts receivable of \$ 156,818 (May 31, 2022 - \$930,892), due from related parties of \$98,982 (May 31, 2022 - \$49,467), prepaid expenses of \$4,704 (May 31, 2022 - \$15,124), and total current assets of \$804,396 (May 31, 2022 - \$1,227,910). The decrease in total current assets was mainly due to cash spent on daily operations in the current period.

Non-current assets consisted of long term investment of \$913,089 (May 31, 2022 - \$69), long term receivables of \$199,993 (May 31, 2022 - \$337,773), long term note receivable of \$nil (May 31, 2022 - \$555,752), property and equipment \$24,605 (May 31, 2022 - \$25,499), and trade-marks of \$27,147 (May 31, 2022 - \$27,147). The increase in non-current assets was due to the increase in long term investment and the present value of long term receivables.

Current liabilities were accounts payable and accrued liabilities \$365,388 (May 31, 2022 - \$200,370). The increase was primarily due to 10% of the repayment of the convertible debentures to the holders.

Long-term debt was convertible debentures of \$1,726,021 (May 31, 2022 - \$2,444,105). The decrease was due to the 10% of the repayment of the convertible debentures and monthly accretion expenses to bring the convertible debentures back to its face value.

Shareholders' equity was comprised of common shares of \$9,166,702 (May 31, 2022 - \$9,166,702), share issuance costs of \$260,385 (May 31, 2022 - \$260,385), Stock-based compensation reserve of \$nil (May 31, 2022 - \$52,548), equity component of convertible debentures of \$419,525 (May 31, 2022 - \$677,998), contributed surplus of \$1,309,564 (May 31, 2022 - \$579,018), and deficit of \$10,757,585 (May 31, 2022 - \$10,686,206), a net of negative \$122,179 (May 31, 2022 - negative \$470,325).

Working capital was \$439,008 as at November 30, 2022, as compared to \$1,027,540 at May 31, 2022. The decrease in total current assets was mainly due to the expenses incurred to maintain daily operations.

For the three and six months ended November 30, 2022, the Company reported a net income of \$141,133 and a net loss of \$71,379 compared to a net loss of \$352,611 and \$672,329 for the comparative periods in the previous year. Basic and diluted loss per share based on a weighted average of 70,478,299 common shares was \$0.002 and negative \$0.001 for the three and six months ended November 30, 2022, compared to losses of \$0.005 and \$0.010, for the comparative periods in the previous year.

The Company's share capital, as of November 30, 2022, was as follow:

Common shares, issued and outstanding	70,478,299
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7. Subsequent Event

There were no subsequent events that need disclosure.

8. Outlook and Strategy

The Company's key strategic priorities are:

- continuing managing the operation of OPAL Project in the core of Vancouver's vibrant Cambie Village;
- taking the Company's award-winning 17-acre master-planned project, OASIS in Langley, through to fourth reading in calendar year 2023; and
- commencing development activities on the proposed \$88 million AQUARA project located on 1.96 acres along the harbourside of Victoria at Bayview Place that will comprise approximately 155 elegantly accommodated units.

The Company's directors and management believe that these priorities are formulating a solid foundation for Element Lifestyle Retirement Inc., and its shareholders, as it continues working towards building a prosperous, well-respected and long-term seniors' retirement development and management services organization.

The Company continues to be focused on taking significant measures to reduce its monthly cash burn by eliminating non-essential expenditures and preserving its cash position.

The Company will continue to evaluate potential acquisitions to create a strong portfolio of projects, either owned or managed.

Management believes that the Company is well-positioned for both organic and external growth, supported by favourable demographics of a growing seniors' population, the strong demand for seniors' services and keeping in mind the operational and regulatory challenges to the seniors' living sector.

9. Selected Annual Information

Not applicable.

10. Summary of Quarterly Results

The following table presents selected financial information for each of the last eight quarters:

	Three Months Ended							
	Nov. 30, 2022	Aug.31, 2022	May. 31 2022	Feb. 28 2022	Nov. 30, 2021	Aug.31, 2021	May 31, 2021	Feb. 28, 2021
Revenue	250,000	\$ 263,846	1,099,487	746,667	120,000	\$ 126,534	\$ 122,989	\$ 80,000
Income (loss) from continuing operations	(25,151)	(228,862)	339,360	245,837	(367,562)	(339,765)	(402,890)	(379,358)
Net Income (loss)	141,133	(214,223)	404,364	245,837	(352,611)	(319,502)	(429,595)	(366,820)
Basic and diluted earnings (loss) per share	0.00	(0.01)	(0.00)	0.01	(0.01)	(0.01)	(0.01)	(0.01)

11. Financial Results for the Three and Six Months Ended November 30, 2022

Revenues for the three and six months ended November 30, 2022 were \$250,000 and \$513,846, compared to \$120,000 and \$246,534 for the corresponding periods of the previous year. The increase in revenues reflects consulting fee received from Aquara Development Corporation and a third-party contract.

Operating expenses were \$275,151 and \$766,148 for the three and six months ended November 30, 2022, compared to \$487,562 and \$953,373 for the same periods last year. Noteworthy variances were in the following areas:

- **Accretion expenses** – decreased to negative \$148,671 and negative \$86,130 (2021 - \$60,841 and \$120,084). 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 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.
- **Professional fees** – increased to \$25,136 and \$29,510 (2021 - \$13,811 and \$15,352). The increased were mainly due to more business promoting activities in the current periods.
- **Rent** – decreased to \$7,208 and \$29,861 (2021 - \$20,902 and \$38,420). The decrease was mainly due to the termination of the office lease in September 2022.
- **Salaries, wages and benefits** - increased to \$255,567 and \$506,813 (2021 - to \$246,272 and \$484,563) was mainly due to the increases of salaries.
- **Travel** – increased to \$37,617 and \$64,129 (2021 - \$9,534 and \$22,038). The increases were primarily due to more travels in the current periods.

Overall, operating expenses for the three and six months ended November 30, 2022 decreased by \$212,411 and \$187,226 or 43.57% and 19.64%. The change from the comparative periods were primarily attributed to the items noted above.

Net losses from operations were \$25,151 and \$254,013 for the three and six months ended November 30, 2022, compared to net losses of \$367,562 and \$707,327 for the corresponding periods of the previous year.

12. Investing Activities

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.

13. Financing Activities

There were no financing activities during the three months ended November 30, 2022.

14. Liquidity

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Working capital was \$439,008 as of November 30, 2022, compared to \$1,027,540 as of May 31, 2022. The decrease was mainly due to lower cash balance from operations.

Cash received (used) in operating activities during the three and six months ended November 30, 2022, were \$61,451 and \$615,514 (2021 – negative \$12,600 and \$356,446). The increased cash used in operating activities was primarily due to the increase in accounts payable in the current period.

Cash used in investing activities during the three and six months ended November 30, 2022 were \$1,900 and \$3,534 (2021 - \$1,700 and \$1,700) in the periods.

Cash received/(used) in financing activities during the three and six months ended November 30, 2022 were \$330,569 and \$300,515 (2021 –\$196,750 and \$570,136). The decreased cash was primarily due to 10% of principal repayment of the convertible debentures.

The following table details the remaining contractual maturities over the next five years of the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the Company will be required to pay:

<i>Contractual Obligations</i>	Payments Due by Period				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Account payables	\$ 365,388	\$ 365,388	\$ -	\$ -	\$ -
Convertible debentures	2,693,858	158,130	2,535,728	-	-
Total contractual obligations	\$ 3,059,246	\$ 523,518	\$2,535,728	\$ -	\$ -

15. Capital Resources

The Company's objective is to maintain a strong capital base in order to maintain investor, creditor and market confidence and to sustain future development of the business.

Management defines capital as items included in shareholders' equity and debt, net of cash. The Board of Directors does not establish quantitative return on capital criteria for management; but rather promotes year over year sustainable profitable growth. The Company is not subject to externally imposed capital requirements.

16. Off-Balance Sheet Arrangements

At the date of this MD&A, to the best of management's knowledge, there were no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company.

17. Related Party Transactions

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. Certain of these entities transacted with the Company during the reporting period.

Relationship with Opal Retirement Inc. and Opal Development Limited Partnership

Opal Retirement Inc. ("Opal Retirement") is a wholly owned subsidiary of Care Pacific Holdings Ltd. ("Care Pacific") and the owner of the Opal Project. Opal Development Limited Partnership ("Opal Development LP") is a wholly owned subsidiary of Opal Retirement. The following principal Element shareholders are the shareholders of Care Pacific: Grand Vision Development Ltd., Kefei Investments Ltd. and Royal West Pacific Holdings Inc. Mr. Bo Jun (Michael) Diao, the Chief Executive Officer and a director of Element, is the President and a director of Care Pacific, the sole director and officer of Opal Retirement and the sole director and shareholder of Royal West Pacific Holdings Inc. Messrs. Hua Min Chen, Hua Jie Chen and Hong Chao Chen are shareholders of Grand Vision Development Ltd. ("Grand Vision"). Mr. Bo Jun (Michael) Diao is the sole director of Grand Vision and is also the chairman and a director of Care Pacific. Mr. Ke Fei Deng is the sole shareholder and is a director along with Ms. Mei Deng of Kefei Investments Ltd. Mr. Ke Fei Deng is also a director of Care Pacific.

Relationship with Care Pacific (Maple Gardens) Inc. ("Maple Gardens")

Maple Gardens is a wholly owned subsidiary of Care Pacific and the owner of the Oasis Project. The following principal Element shareholders are the shareholders of Care Pacific: Grand Vision Development Ltd., Kefei Investments Ltd. and Royal West Pacific Holdings Inc. Mr. Bo Jun (Michael) Diao, the Chief Executive Officer and a director of Element, is the President and a director of Care Pacific, the sole director and officer of Maple Gardens, and the sole director and shareholder of Royal West Pacific Holdings Inc. Regarding ownership and directorship of Grand Vision Development Ltd. and Kefei Investments Inc., please see above.

Relationship with Aquara Limited Partnership ("Aquara LP")

Aquara GP Ltd. is the General Partner of Aquara LP. Mr. Don Ho and Mr. Bo Jun (Michael) Diao are directors of Aquara GP Ltd, and are also the directors of the Company.

Relationship with Element Lifesyle (Vic Harbour West) Inc.

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.

Transactions with Care Pacific Holdings Inc.

During the three months ended November 30, 2022, there were no transactions with Care Pacific Holdings Inc.

Transactions with Opal Retirement Inc. and Opal Development LP (Opal Project)

During the three months ended November 30, 2022, the Company received consulting fee revenue of \$60,000 (2021: \$60,000) from Opal Retirement (Opal Development LP). The company paid \$69,396 (2021: \$7,569) on behalf of Opal Development LP. In addition, there were a balance of \$139,863 (May 31, 2022: \$71,131) in due for expenses paid on behalf of Opal Development LP and a balance of \$9,965 (May 31, 2022: \$10,630) owing to Opal Retirement Inc..

Transactions with Maple Gardens (Oasis Project)

During the three months ended November 30, 2022, there were no transactions with Maple Gardens.

As at November 30, 2022, there was a balance owing of \$599,694 (May 31, 2022: \$599,694) to Maple Gardens.

Transactions with Aquara LP (Aquara Project) and Aquara Development Corporation

During the three months ended November 30, 2022, the Company, received consulting fee revenue of \$150,000 (2021: \$nil) from Aquara Development Corporation. The Company paid \$11,867 (2021: \$11,916) for expenses on behalf of Aquara Development Corporation. As at November 30, 2022, \$469,456 (May 31, 2022: \$465,364) was receivable from Aquara LP for the development costs and fundraising costs paid on behalf of Aquara project. \$20,493 (May 31, 2022: \$nil) was receivable from Aquara Development Corporation for the development costs paid on behalf of Aquara project.

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.

Transactions with Element Lifestyle (Vic Harbour West) Inc.

During the three months ended November 30, 2022, the Company paid \$3,200 (2021: \$nil) for the expenses on behalf of Element Lifestyle (Vic Harbour West) Inc. As at November 30, 2022, there was a balance of \$71,285 (May 31, 2022: \$75,298) in due for the assets and liabilities transferred to Aquara GP Ltd.

Transactions with City Group Holdings Ltd.

City Group Holdings Ltd. ("City Group") is a holding company owned by Mr. Don Ho, the President of Element. City Group is also an Element shareholder. During the three months ended November 30, 2022, Element paid rent in the amount of \$7,208 (2021: \$41,902) to City Group. The office lease was terminated in September 2022.

Transactions with the Independent Directors

During the three months ended November 30, 2022, the Company incurred directors' fees of \$14,000 (2021: \$14,350) regarding the Company's independent directors.

Key Management Personnel Compensation and Transactions with Directors and Senior Officers

Key management includes the Company's senior officers consisting of the President, the Chief Executive Officer, the Chief Operating Officer, the Vice President Development. The compensation paid or payable to key management personnel during the three months ended November 30, 2022 was \$129,055 (2021: \$129,226).

18. Adoption of New Accounting Standards

Not applicable

19. Accounting Standards issued but not yet Effective

Not applicable

20. Corporate Governance

The Company's Board of Directors and its committees adhere to recommended corporate governance guidelines for public companies listed on the TSXV to ensure transparency and accountability to shareholders. The current Board of Directors is comprised of four individuals, two of whom are independent of management as they are neither executive officers nor employees of the Company. The Audit Committee is currently comprised of three directors, two of whom are independent of management.

The Audit Committee's role is to ensure the integrity of the Company's reported financial results through its review of the interim and audited annual consolidated financial statements prior to their submission to the Board of Directors for approval. The Audit Committee meets with management quarterly to review the financial statements along with the MD&A, and to discuss financial, operating and other relevant matters.

21. Disclosure of Share Data as of January 25, 2023

The Company's share capital, as of January 25, 2023, was as follow:

Common shares, issued and outstanding	70,478,299
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22. Financial Instruments

Classification of Financial Instruments:

Fair Value of financial instruments

As at November 30, 2022, 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.

Element 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 Element's financial assets measured at fair value by level within the fair value hierarchy as follows:

	Level 1	Level 2	Level 3	Nov 30, 2022	May 31, 2022
Financial Assets:					
Cash	\$ 543,892	\$ -	\$ -	\$ 543,892	\$ 232,427
Accounts receivable	156,818	-	-	156,818	930,892
Due from related parties	98,982	-	-	98,982	49,467
Long term receivables		-	199,993	199,993	337,773
Long term note receivables	-	-	-	-	555,752
Total financial assets	\$ 799,692	\$ -	\$ 199,993	\$ 999,685	\$ 2,106,311
Financial Liabilities:					
Accounts payable and accrued liabilities	\$ 358,190	\$ -	\$ -	\$ 358,190	\$ 150,089
Convertible debentures	-	-	1,726,021	1,726,021	2,444,105
Total financial liabilities	\$ 358,190	\$ -	\$ 1,726,021	\$ 2,084,211	\$ 2,594,194

Credit Risk

Financial instruments that potentially subject Element to concentrations of credit risks consist principally of cash, and trade and other receivables. The Company considers the risk of loss relating to cash to be low because these instruments are held only with highly-rated financial institutions. Element assesses the requirement for a provision based on historical experience.

Liquidity Risk

Liquidity risk is the risk that Element may encounter difficulties in meeting its obligations associated with financial liabilities and commitments. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Company's reputation.

The Company manages its liquidity risk through the preparation of annual expenditure budgets, which are regularly monitored and updated as management considers necessary, and through the Company's capital management activities.

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 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 three months ended November 30, 2022, the Company's revenues and expenses were recorded in Canadian dollars. The Company is not exposed to significant currency risk.

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.

23. Risks and Uncertainties

The following risk factors apply to the Company's overall business whether Element is under a management contract, as operator only, or whether Element is managing a retirement community that it has an ownership interest in.

General Business Risks

The Company is subject to general business risks and to risks inherent in the seniors housing industry and the ownership of real property. These risks arise from a wide range of factors including: changes in varying levels of demand for retirement living and related services; fluctuation in occupancy levels; the inability to maintain or increase rents; increases in commodity costs, utility, energy and other operating costs; increases in construction costs; changes in the availability of and cost of labour; possible future changes in labour relations; competition from or the oversupply of other similar properties; increases in home care support; changes in neighbourhood or location conditions and general economic conditions; the recurring need for renovation, refurbishment and improvement of properties; changes in regulations, trends, technology and service requirements in the seniors housing industry; health-related risks; disease outbreak and control risks; the imposition of increased taxes or new taxes; changes in cash flow, liquidity and interest rates; the availability of financing for development; changes in the availability and cost of money for long-term financing which may render refinancing of mortgages difficult or unattractive; operating or capital needs; the potential impact of a prolonged recession; a downturn or change in demographics; changes in critical accounting policies; and the ability of the Company to secure management contracts. In addition, the potential for reduced revenue growth exists in the event that the Company is unable to maintain its managed properties at a level that meets the expectation of its residents thus affecting the corresponding occupancy levels within these properties. Moreover, there is no assurance that expected demographic trends will continue or that the occupancy levels achieved to-date at the Company's properties and expected in the future will continue to be achieved. Any one of, or a combination of, these factors may adversely affect the cash available to, or the financial position, of Element.

Real Property Ownership and Lack of Diversity

As mentioned earlier, Element's business plan involves the acquisition of real estate. Real property investments are subject to a degree of risk which could have a material adverse effect on the business, results of operations and financial position of the Company. They are affected by various factors including changes in general economic conditions (such as the availability of mortgage funds) and in local conditions (such as an oversupply of space or a reduction in demand for real estate in the area); the attractiveness of the properties to residents; competition from other available space; and various other factors. In addition, fluctuations in interest rates may affect the Company. By specializing in one segment of the real estate industry (seniors' rental residences), the Company is exposed to adverse effects on that segment of the real estate market and does not benefit from the diversification of its portfolio by type of property. If properties do not generate revenues sufficient to meet operating expenses, debt service and capital expenditures, the Company's results from operations could be adversely affected. The performance of the economy in each of the areas in which the properties are located affects occupancy, market rental rates and expenses. These factors consequently can have an impact on revenues from the properties and their underlying values. The financial results and labour decisions of major local employers may also have an impact on the revenues from and value of certain properties. Certain significant expenditures involved in real property investments, including real estate/property taxes, maintenance costs, mortgage payments, insurance costs and related charges represent liabilities which must be met throughout the period of ownership of real property regardless of whether the property is producing any income. Some of the expenditures are variable, and beyond the control of the Company. If the Company is unable to meet mortgage payments on any property, losses could be sustained as a result of the mortgagee's exercise of its rights of foreclosure or sale or the lender's exercise of other remedies. Costs may also be incurred in making improvements or repairs to property required by a new resident and income may be lost as a result of any prolonged delay in attracting suitable residents to the vacant space as a result. There is a real possibility that the Company may experience inadequate or negative cash flow on a property as a result of escalating operating costs or declining revenue.

Liquidity of Real Estate Investments

Real property investments are relatively illiquid. This illiquidity will tend to limit the ability of the Company to vary its portfolio promptly in response to changed economic or investment conditions. There is a risk that the Company would not be able to sell its assets or that it may realize sale proceeds of less than the current book value of its communities.

Continued Growth

In addition to the general economic environment, the Company's growth prospects are essentially dependent on its ability to: successfully acquire new management contracts, successfully acquire ownership interests in newly targeted retirement residences; obtain approvals and construction financing for properties currently in pre-development and to successfully complete the construction and lease-up of the development; to find acquisition opportunities or new development opportunities in locations that meet Element's stringent criteria; and improve the financial performance of Element's existing communities. There is a risk that even should economic conditions remain the same or improve, the Company may not be able to achieve growth. The ability to grow may require the issuance of additional common shares and the ability to do so may not always be a viable capital-raising option. Furthermore, timing differences may occur between the issuance of additional common shares and the time the proceeds may be used to invest in new properties. Depending on the duration of this timing difference, this may be dilutive. Element expects that it will have opportunities to acquire properties which will be accretive and enable it to increase cash flow through improved management and operations, but there can be no assurance that will be the case.

Acquisition and Development Risk

The Company will continue to seek and advance new developments, both corporately and jointly with third parties, with experienced industry participants and capital participants; however, new developments increase the risk that projected financial returns may not be achieved and that cost overruns or start-up losses may require further equity injections. In addition, any adverse impact from new developments will reduce the availability of capital from affected investors in co-tenancies for future developments. The Company evaluates each development separately including an extensive supply and demand analysis and establishing capital participants, to ensure certain criteria have been met. The Company attempts to reduce its development risk by entering into co-tenancy agreements with other investors, and the Company attempts to reduce future investments by relying upon its co-tenancy participants to provide the majority of capital required to develop new Element-branded residences. However, in such instances the ability of co-owners to fund their share of existing debt (including mezzanine debt and completion loans) and guarantees, and/or fund additional capital requirements adds to the Company's risk (see "RISKS AND UNCERTAINTIES – Reliance on Ability of Co-owners to Meet Their Obligations" below). The Company is also subject to growth restrictions if it is unable to attract equity investors to enter into new co-tenancy agreements when new opportunities are identified.

The success of Element's business acquisition activities, whether carried out solely or with co-owners, will be determined by numerous factors, including the ability of the Company to identify suitable acquisition targets, competition for acquisition opportunities, purchase price, ability to obtain adequate financing related to such acquisitions on reasonable terms, financial performance of the business after acquisition, and the ability of the Company to effectively integrate and operate the acquired businesses. Acquired businesses may not meet financial or operational expectations due to unexpected costs associated with the acquisition, as well as the general investment risks inherent in any real estate investment or business acquisition, including the existence of unexpected or undisclosed liabilities and the risk that Element's recourse against third parties may not be adequate to mitigate such liabilities entirely. Moreover, new acquisitions may require significant management attention or capital expenditures that would otherwise be allocated to existing businesses. Any failure by the Company to identify suitable candidates for acquisition or to operate the acquired businesses effectively may have an adverse effect on the business, results of operations or financial conditions of the Company.

Acquisitions, sales and development agreements entered into with third parties may be subject to unknown, unexpected or undisclosed liabilities which could have a material adverse impact on operations and financial results of Element. Representations and warranties given by such third parties to Element may not adequately protect against these liabilities and any recourse against third parties may be limited by the financial capacity of such third parties.

In addition, the letters of intent and purchase or sales agreements entered into with third parties with respect to such acquisitions or sales, as applicable, are generally subject to certain closing conditions, and in some cases, the granting of regulatory approvals. Such acquisitions or sales may not be completed due to the failure to satisfy

closing conditions or the failure to receive required regulatory approvals and certain funds paid by Element may not be recoverable.

Reliance on Ability of Co-owners to Meet Their Obligations

In situations where the Company is developing assets with co-owners there exists a risk that co-owners may not be able to meet their ongoing obligations. The Company may provide advances, mezzanine financing, completion loans and guarantees on the indebtedness of certain co-owners in excess of the Company's proportionate interest in such projects. Until a new development is leased-up, the Company faces risks that are significantly higher than its pro-rata ownership share. If the Company's guarantee is called upon, or the mezzanine and/or completion loan debt cannot be repaid through refinancing and there is insufficient equity in the property, and the co-owners are unable to fund their proportionate share of the indebtedness, the Company may be unable to recover the amount paid in excess of its proportionate interest. The Company may remedy such an event by acquiring such defaulting co-owners' interests at below cost, however the Company would have to fund such co-owners' share of the mezzanine debt, completion loan and/or guarantee. The Company may also be exposed to adverse developments, including a possible change in control, in the business and affairs of its co-owner partners, which could have a significant impact on the Company's interests in the project or affect the value of its interests, cause the Company to incur additional costs, impact the Company's ability to dispose of its interests in the project, or compel the Company to purchase the balance of the project.

Market Risk

Market risk is the risk of an adverse financial impact due to a change in market conditions, such as interest rates and equity prices that will affect the Company's income or the value of its holdings of financial instruments. The Company may buy derivative instruments in the ordinary course of business, and also may incur financial liabilities, in order to manage potential market risks. The Company is not exposed to significant price risk or currency risk, and significant currency risk is not exposed to significant interest rate risk given that the mortgage loan and convertible debentures bear interest at fixed rates.

Global Economic Financial Conditions

Adverse changes to the economic and financial conditions in Canada and globally could impact Element's ability to execute upon its operating, growth and financing strategies, which in turn could have a material adverse impact on Element's business, profitability and financial position. Global financial conditions may negatively impact access to public financing and may impact the Company's ability to obtain future financing on favourable terms. If such increased levels of volatility and market turmoil return, the Company's operations could be adversely impacted and the trading price of Element's common shares could be affected.

Liquidity Risk

Liquidity risk arises from the possibility of not having sufficient debt and equity capital available to the Company to fund its growth program and re-finance or meet its payment obligations as they arise. The Company's principal liquidity needs arise from or may arise from working capital requirements, debt servicing and repayment obligations, planned funding of maintenance, and possible property acquisition funding requirements.

Tax Risks

The Company is subject to various taxes including, but not limited to, Canadian income tax, goods and services tax (GST), land transfer tax and payroll tax, and its tax filings will be subject to audit by various taxation authorities. While the Company intends to base its tax filings and compliance on the advice of its tax advisors, there can be no assurance that its tax filing positions will never be challenged by a relevant taxation authority resulting in a greater than anticipated tax liability.

Geographic Concentration

A substantial portion of the business and operations of Element is conducted in British Columbia. The market value of these properties and the income generated from them could be negatively affected by changes in local and regional economic conditions.

Competition

The seniors' housing industry is highly competitive. Numerous other companies, developers, managers and owners of seniors' housing residences compete with Element in seeking residents. Competition for residents is based primarily on convenience of location, quality of the residence, reputation of the operator/brand, rental rates and the range and quality of food, and the services and amenities offered. Competition for residents and prospective residents for Element's communities could adversely affect occupancies and Element's ability to attract residents and the rents which may be charged could affect Element's revenues, its ability to meet its debt obligations.

Competition for acquisitions of real properties can be intense and some competitors may have the ability or inclination to acquire properties at a higher price or on terms less favourable than those that the Company may be prepared to accept. An increased availability of investment funds in real estate, an increase in interest in real property investment or a decrease in interest rates may increase competition for real property investments and may increase purchase prices, reducing the yields on such investments or make it more difficult for the Company and its partners to locate and purchase suitable properties.

In addition to industry competition, the providing of in-home care services to seniors is enabling more and more seniors to remain in their homes for longer periods of time, thereby potentially eliminating or reducing their potential lengths of residency within retirement communities.

Element competes with various health care service providers and the hospitality operators in attracting and retaining skilled and qualified personnel to manage and operate the Company's communities. A shortage of trained and qualified personnel may require the Company to enhance wage and benefits packages in order to compete. No assurance can be given that labour costs will not increase, or that if they do increase, they can be matched by corresponding increases in rental and management revenue.

Reliance on Attracting Seniors with Sufficient Resources to Pay

The Company currently, and for the foreseeable future, expects to rely primarily on its residents' ability to pay rents and purchase services from their own or familial financial resources. Generally, only seniors with income or assets meeting or exceeding the comparable median in the region where the Company's properties are located can afford the Company's services. Inflation or other circumstances that adversely affect the ability of seniors to pay for the Company's services could have an adverse effect on the Company. Volatility in the residential real estate market generally, and in the economy as a whole, may affect the ability of potential residents to realize proceeds from the sale of a principal residence, or to generate income, which would otherwise allow them to be able to afford to live in a retirement community. If the Company encounters difficulty in attracting seniors with adequate resources to pay for its services, its business, operating results and financial condition could be adversely affected. It is important to note that revenues in the seniors' housing industry are not immune from economic factors (notably interest rates on retirees' savings, the ability of seniors to sell their existing residences and the value they will realize from such sales, and concerns about the funding of pension plans).

Reliance on Rentals and Rental Increases

Upon the move-out of any resident, there can be no assurance that the resident will be replaced or that a new resident will pay the same or greater rent. The failure to achieve rentals and maintain or increase rents may have an adverse effect on the financial condition of the Company.

Reliance on Attracting Co-owners

The Company may rely upon co-owner participants to provide the majority of the equity capital required to develop new Element Residences. These co-tenancy participants enter into long-term management contracts with the Company for the management of the property that will be developed or operated. There is no guarantee that the Company will be able to attract co-tenancy participants to provide the majority of the equity capital required for new developments. As well, there is no guarantee that the Company will be able to continue to obtain additional long-term management contracts.

Operational Risks

The Company is exposed to all of the operational risks inherent in managing and owning independent living and assisted living rental retirement properties for seniors. There is no assurance that the Company's policies and procedures to address these operational risks will be adequate or effective. The Company maintains insurance to cover some of these risks. See "RISKS AND UNCERTAINTIES – Liability and Insurance" below.

Damage from Fire or Other Calamities

The Company's ability to sustain or grow its business is heavily dependent on efficient and uninterrupted operations at its communities. Power failures or disruptions, the breakdown, failure or substandard performance of equipment, the improper installation of equipment and the destruction of buildings, equipment and other facilities due to natural disasters such as hurricanes, fire or earthquakes would severely affect its ability to continue operations. While it does maintain certain insurance policies covering losses due to fire, lightning and explosions, there can be no assurance its coverage would be adequate to compensate Element for the actual cost of replacing such buildings, equipment and infrastructure nor can there be an assurance that such events would not have a material adverse effect on its business, financial condition, results of operations or prospects. Even if losses were covered by insurance, damage to the Element brand could be substantial.

Liability and Insurance

The Company's business entails an inherent risk of liability, including with respect to injury or death of its residents. Management expects that from time to time the Company may be subject to lawsuits as a result of the nature of its business. The Company maintains general and professional liability, business interruption and property insurance policies in amounts and with such coverage and deductibles as deemed appropriate, based on the nature and risks of the business, historical experience and industry standards. However, certain types of losses are either uninsurable or not economically insurable. There can be no assurance that claims in excess of the Company's insurance coverage or claims not covered by its insurance will not arise or that the liability coverage will continue to be available on acceptable terms. A successful claim against the Company not covered by, or in excess of, its insurance could have a material adverse effect on the Company's business, operating results and financial condition. Claims against the Company, regardless of their merit or eventual outcome, also may have a material adverse effect on the Company's ability to attract residents or expand its business, and will require management to devote attention and resources to addressing such claims. There exists a risk that the insurance companies from which insurance is purchased may become insolvent and unable to fulfill their obligations to defend, pay or reimburse the Company when that obligation becomes due. The Company's policies are renewable periodically and the Company must negotiate acceptable terms for coverage upon renewal, exposing the Company to the volatility of the insurance markets, including the possibility of rate increases, and the Company cannot be sure to obtain insurance in the future at acceptable levels.

Litigation and Other Disputes May Adversely Affect the Company's Assets and Share Price

In the normal course of the Company's operations, whether directly or indirectly, it may become involved in, named as a party to or the subject of, various legal proceedings, including regulatory proceedings, tax proceedings, termination of employment and legal actions relating to personal injuries, property damage, property taxes, land rights, the environment and contract disputes. The outcome with respect to outstanding, pending or future proceedings cannot be predicted with certainty and may be determined in a manner that is materially adverse to the Company and as a result, could materially adversely affect the business, results of operations and financial condition

of the Company. Even if the Company prevails in any such legal proceeding, the proceedings could be costly and time-consuming and may divert the attention of management and key personnel from the Company's business operations, which could materially adversely affect the business, results of operations and financial condition of the Company and its ability to pay dividends on its common shares.

Dependence on Executives and Other Personnel

The Company's success depends heavily on its ability to attract, retain and motivate key management and operating personnel. As Element expands its portfolio of retirement residences, it will require more skilled, qualified personnel. Recruiting personnel for the retirement industry is highly competitive. Element's failure to attract or retain qualified personnel could have a material adverse effect on its business. See "RISKS AND UNCERTAINTIES – Competition" above.

Additionally, Element is dependent on the services of key executives, and a small number of other highly skilled and experienced executives and personnel. The loss of technical knowledge, management expertise, and knowledge of operations of one or more members of the Company's executive management could result in a diversion of management resources, as the remaining members of management would need to cover the duties of any executive officer who leaves the Company and would need to spend time usually reserved for managing the business to spend time to search for, hire and train new members of the management team. The loss of some or all of the Company's executives could negatively affect the Company's ability to develop and execute its business strategy, which could adversely affect the Company's business and financial results. Additionally, Element's inability to attract and retain additional highly skilled employees may adversely affect its business and future operations.

Changes in the Regulatory Environment

Laws periodically change and regulatory bodies may impose licensing requirements for certain facilities, health standards or services, change the terms of licences or impose more stringent environmental laws and regulations in the future. Inspections may identify deficiencies in the Company's operations. Changes in the law and regulations and inspections could have an adverse effect on the Company's operations and financial condition.

Personal Information

As a custodian of a large amount of personal information and personal health information relating to Element's employees and its residents, the Company is exposed to the legal and reputational risk of the loss, misuse or theft of any such information. Element mitigates this risk by deploying appropriate technology and training for its employees relating to the safeguarding of such information.

Risks Related to a Public Company and Common Shares

Volatile market price for common shares

The market price for common shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company's control, including the following:

- actual or anticipated fluctuations in the Company's quarterly results of operations;
- changes in estimates of future results of operations by Element or securities research analysts;
- changes in the economic performance or market valuations of other companies that investors deem comparable to the Company;
- addition or departure of the Company's executive officers and other key personnel;
- release or other transfer restrictions on outstanding common shares;
- sales or perceived sales of additional common shares;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Company or its competitors;
- news reports relating to trends, concerns or competitive developments, regulatory changes and other related issues in the Company's industry or target markets;

- conditions in the seniors housing industry and real estate industry generally;
- interest rates;
- the market for similar securities;
- general economic conditions in the financial markets;
- the Company's dividend practice; and
- the Company's financial condition, performance, creditworthiness and prospects.

Financial markets can have significant price and volume fluctuations that can affect the market prices of equity securities of companies and that may be unrelated to the operating performance, underlying asset values or prospects of the companies. Accordingly, the market price of the Company's common shares may decline even if the Company's operating results, underlying asset values or prospects have not changed.

Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. As well, certain institutional investors may base their investment decisions on consideration of the Company's environmental, governance and social practices and performance against such institutions' respective investment guidelines and criteria, and failure to meet such criteria may result in a limited or no investment in the common shares by those institutions, which could adversely affect the trading price of the common shares. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility continue, the Company's operations and the trading price of the common shares may be adversely affected.

Financial Markets

Uncertainty in the stock and credit markets may materially adversely affect the Company's ability to access additional financing for the continuation of the Company's operations and other purposes, including obtaining any renewals of existing financing on commercially reasonable terms, which may materially adversely affect the Company's business. Uncertainty over whether the economy will be materially adversely affected by inflation, deflation or stagflation and the systematic impact of increased unemployment, volatile energy costs, geopolitical issues and availability and cost of credit may contribute to increased market volatility and weakened business and consumer confidence. The future state of the financial markets may cause the Company to seek alternative sources of potentially less attractive financing, and may require the Company to adjust its business plan accordingly. This may also make it more difficult or costly for the Company to raise capital, including through the issuance of equity securities. The current conservative nature of the financial markets may have a material adverse effect on the market value of the common shares and the business, results of operations and financial condition of the Company.

Dilution and Future Sales of Common Shares

The Company's articles permit the issuance of an unlimited number of common shares and an unlimited number of preferred shares, and shareholders will have no pre-emptive rights in connection with such further issuances. The directors of the Company have the discretion to determine the price and the terms of issue of further issuances of common shares and preferred shares.

24. Disclosure Controls and Internal Controls Over Financial Reporting

The Company's business could be adversely impacted if there are deficiencies in disclosure controls and procedures or internal controls over financial reporting. The design and effectiveness of the Company's disclosure controls and procedures and internal controls over financial reporting may not prevent all errors, misstatements or misrepresentations. While management continues to review the effectiveness of the Company's disclosure controls and procedures and internal controls over financial reporting, it cannot assure that the Company's disclosure controls and procedures or internal control over financial reporting will be effective in accomplishing all control objectives all of the time. Deficiencies, particularly material weaknesses, in internal control over financial reporting which may occur in the future could result in misstatements of the Company's results of operations, restatements of the Company's financial statements, a decline in share price, or otherwise materially adversely affect the Company's business, reputation, results of operation, financial condition or liquidity.

Readers are cautioned that the Company is not required to certify the design and evaluation of its disclosure controls and procedures and internal controls over financial reporting and has not completed such an evaluation. The inherent limitations on the ability of the Company's certifying officers to design and implement on a cost-effective basis disclosure controls, procedures and internal controls over financial reporting for the Company may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

25. Future Sales of Common Shares by Directors and Executive Officers

Subject to compliance with applicable securities laws, officers and directors and their affiliates may sell some or all of their common shares in the future. No prediction can be made as to the effect, if any, such future sales of common shares will have on the market price of the common shares prevailing from time to time. However, the future sale of a substantial number of common shares by the Company's officers and directors and their affiliates, or the perception that such sales could occur, could adversely affect prevailing market prices for the common shares.

26. Conflicts of Interest

The Company's directors and officers may serve as directors or officers, or may be associated with, other reporting companies, or have significant shareholdings in other public companies. To the extent that such other companies may participate in business or asset acquisitions, dispositions, or ventures in which the Company may participate, the directors and officers of the Company may have a conflict of interest in negotiating and concluding terms respecting the transaction. If a conflict of interest arises, the Company will follow the provisions of the Business Corporations Act (BC) ("Corporations Act") dealing with any conflict of interest. These provisions state that where a director has such a conflict, that director must, at a meeting of the Company's directors, disclose his or her interest and refrain from voting on the matter unless otherwise permitted by the Corporations Act. In accordance with the laws of the Province of British Columbia, the directors and officers of the Company are required to act honestly, in good faith and in the best interests of the Company.

27. Cautionary Note Regarding Forward-Looking Information

The Company's financial statements and this accompanying MD&A contain statements that constitute "forward-looking statements" involve a number of risks and uncertainties. As a consequence, actual results might differ materially from results forecasted or suggested in these forward-looking statements. Some of these risks and uncertainties are identified under the heading "RISKS AND UNCERTAINTIES" in this MD&A. Additional information regarding these factors and other important factors that could cause results to differ materially may be referred to as part of particular forward-looking statements. The forward-looking statements are qualified in their entirety by reference to the important factors discussed under the heading "RISKS AND UNCERTAINTIES" and to those that may be discussed as part of particular forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Factors that could cause the actual results to differ include market prices, continued availability of capital and financing, inability to obtain required regulatory approvals and general market conditions. These statements are based on a number of assumptions, including assumptions regarding general market conditions, the timing and receipt of regulatory approvals, the ability of the Company and other relevant parties to satisfy regulatory requirements, the availability of financing for proposed transactions and programs on reasonable terms and the ability of third-party service providers to deliver services in a timely manner. Forward-looking statements contained herein are made as of the date of this MD&A and the Company disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

28. Approval

The Board of Directors of the Company have approved the disclosure contained in this MD&A.

29. Additional Information

Additional information related to the Company can be found on SEDAR at www.sedar.com and on the Company's website at www.elementliving.com.