ELEMENT LIFESTYLE RETIREMENT INC.

Consolidated Financial Statements

Years Ended May 31, 2022 and 2021

ELEMENT LIFESTYLE RETIREMENT INC.

INDEX Page

Management’s Responsibility for Financial Reporting

To the Shareholders of Element Lifestyle Retirement Inc.:

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded, and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The Board is responsible for overseeing management in the performance of its financial reporting responsibilities and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Audit Committee has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee is also responsible for recommending the appointment of the Company's external auditors.

MNP LLP is appointed by the shareholders to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Committee and management to discuss their audit findings.

September 28, 2022

“Michael Diao”

Director

“John Gilbert”

Director

Independent Auditor's Report

To the Shareholders of Element Lifestyle Retirement Inc.:

Opinion

We have audited the consolidated financial statements of Element Lifestyle Retirement Inc. (the "Company"), which comprise the consolidated statements of financial position as at May 31, 2022, and May 31, 2021, and the consolidated statements of income (loss) and comprehensive income (loss), changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at May 31, 2022, and May 31, 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company has incurred an accumulated deficit during the year ended May 31, 2022. As stated in Note 1, these events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

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

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

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Adriel Fernandes.

Vancouver, British Columbia

September 28, 2022

Chartered Professional Accountants

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

As at		May 31, 2022		May 31, 2021
ASSETS				
Current				
Cash	$	**232,427**	$	102,050
Accounts receivable and other receivables *(Note 5)*		**930,892**		35,466
Note receivable		**-**		704,247
Prepaid expenses		**15,124**		15,503
Due from related parties *(Note 15)*		**49,467**		903,050
		1,227,910		1,760,316
Long term investment *(Note 7)*		**69**		19
Long term receivables *(Note 5)*		**337,773**		114,951
Long term note receivable *(Note 6)*		**555,752**		-
Property and equipment (*Note 8*)		**25,499**		81,793
Trade-marks (*Note 9*)		**27,147**		27,147
Total assets	$	**2,174,150**	$	1,984,226
LIABILITIES				
Current				
Accounts payable and other payables (*Note 10*)	$	**200,370**	$	186,865
Lease liabilities - current		**-**		48,400
		200,370		235,265
Convertible debentures (*Note 11*)		**2,444,105**		2,197,374
Total liabilities		**2,644,475**		2,432,639
SHAREHOLDERS' EQUITY				
Share capital *(Note 12)*		**9,166,702**		9,166,702
Share issuance costs		**(260,385)**		(260,385)
Reserve - options (*Note 12*)		**52,548**		73,197
Equity component of convertible debentures (*Note 11*)		**677,998**		677,998
Contributed surplus		**579,018**		558,369
Deficit *(Exhibit III)*		**(10,686,206)**		(10,664,294)
		(470,325)		(448,413)
Total liabilities and shareholders' equity	$	**2,174,150**	$	1,984,226

Going concern (*Note 1*)

On behalf of the Board

"John Gilbert" Director

"Michael Diao" Director

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

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

For the years ended		May 31, 2022		May 31, 2021
REVENUE				
Consulting fees	$	**1,852,688**	$	82,989
Management fees		**240,000**		240,000
		2,092,688		322,989
EXPENSES				
Accretion expense *(Note 5 &6 &11*)		**485,475**		221,822
Amortization (*Note 8*)		**61,798**		208,682
Consulting fees		**7,555**		422
General & administration		**221,452**		180,664
Interest expense		**175,698**		175,702
Marketing and promotion		**69,335**		53,489
Professional fees		**76,798**		86,648
Rent		**82,047**		48,524
Salaries, wages and benefits		**871,908**		786,282
Subcontroctors		**115,500**		105,250
Travel		**47,252**		22,380
		2,214,818		1,889,865
INCOME (LOSS) FROM OPERATIONS		**(122,130)**		(1,566,876)
OTHER INCOME				
Other income (*Note 13*)		**100,218**		38,608
		100,218		38,608
LOSS BEFORE INCOME TAXES		**(21,912)**		(1,528,268)
LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	$	**(21,912)**	$	(1,528,268)
Basic and diluted income (loss) per common share	$	**(0.000)**	$	(0.02)
Weighted average number of shares outstanding		**70,478,299**		70,478,299

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

ELEMENT LIFESTYLE RETIREMENT INC.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in Canadian dollars)

(Exhibit III)

	Common shares outstanding	Paid-in capital	Warrants	Contributed surplus	Equity component of conertible debenture	Stock-based compensation reserve	Share issurance costs	Deficit	Total
Balance, May 31, 2020	70,478,299	$ 9,166,702	$ -	$ 487,255	$ 677,998	$ 144,311	$ (260,385)	$ (9,136,026)	$ 1,079,855
Expired warrants	-	-	-	71,114	-	(71,114)	-	-	-
Comprehensive loss for the year	-	-	-	-	-	-	-	(1,528,268)	(1,528,268)
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 loss for the year	-	-	-	-	-	-	-	(21,912)	(21,912)
Balance, May 31, 2022	70,478,299	$ 9,166,702	$ -	$ 579,017	$ 677,998	$ 52,549	$ (260,385)	$ (10,686,206)	$ (470,325)

Supplemental disclosure with respect to shareholders' equity (*Note 12*)

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

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

For the years ended		May 31, 2022		May 31, 2021
CASH FLOWS USED IN OPERATING ACTIVITIES				
Income (Loss) for the year	$	**(21,912)**	$	(1,528,268)
Items not affecting cash:				
Amortization *(Note 8)*		**61,798**		208,682
Accretion expense (*Note 5&6&11*)		**485,475**		221,822
Interest expense		**600**		4,205
Changes in non-cash working capital:				
Accounts receivable and other receivables		**(895,426)**		(26,836)
Prepaid expenses		**379**		(1,450)
Long term receivables		**(313,072)**		-
Accounts payable and other payables		**13,505**		20
Customer deposit		**-**		(10,000)
		(668,653)		(1,131,825)
CASH FLOWS USED IN INVESTING ACTIVITIES				
Long term investment *(Note 7)*		**(50)**		-
Purchase of property and equipment		**(5,504)**		(7,457)
		(5,554)		(7,457)
CASH FLOWS USED IN FINANCING ACTIVITIES				
Due from related party		**853,584**		989,424
Repayment of other long-term liabilities		**(49,000)**		(84,000)
		804,584		905,424
CHANGE IN CASH DURING THE YEAR		**130,377**		(233,858)
CASH, BEGINNING OF THE YEAR		**102,050**		335,908
CASH, END OF THE YEAR	$	**232,427**	$	102,050

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Nature of operations

Element Lifestyle Retirement Inc. (the "Company" or "ELM") (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.

Going concern

As of May 31, 2022, the Company reported a deficit of $10,686,206 (2021 $10,664,294). The Company has experienced operating losses and negative operating cash flows since inception and has no assurance that sufficient financing will be available to continue in operation for the foreseeable future. These consolidated financial statements have been prepared on a going concern basis which presumes the realization of assets and discharge of liabilities for the foreseeable future. The operations of the Company have primarily been funded by the issuance of common shares, convertible debt and consulting income. Continued operations of the Company are dependent on the Company's ability to obtain public equity financing by the issuance of share capital, generate profitable operations in the future or secure additional debt financing. Management's plans in this regard is to secure additional funds through future equity financings, the issuance of additional debt, none of which may be available or may not be available on reasonable terms. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that may be put, in place by Canada and other countries to fight the virus.

These factors may cast significant doubt on the Company's ability to continue as a going concern. Accordingly, the financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities, contingent obligations and commitments other than in the normal course of business and at amounts different from those in the consolidated financial statements.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The financial statements were approved and authorized for issue by the Board of Directors on September 28, 2022.

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

Accounting standards issued but not yet effective

A number of new standards, and amendments to standards and interpretations are not yet effective for the year ended May 31, 2022 and have not been early adopted in preparing these consolidated financial statements. These new standards, and amendments to standards and interpretations are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements. A summary of future IFRS amendments is as follows:

Classification of Liabilities as Current or Non-current (Amendments to IAS1)

On January 23, 2020, the IASB issued amendments to IAS 1 Presentation of Financial Statements, to clarify the classification of liabilities as current or non-current. On July 15, 2020, the IASB issued an amendment to defer the effective date by one year. The amendments removed the requirement for a right to defer settlement or roll over of a liability for at least twelve months to be unconditional to classify such liability as a non-current liability. Instead, such a right must have substance and exist at the end of the reporting period.
The amendments are effective for annual periods beginning on or after January 1, 2023. Early adoption is permitted.

4. SUMMARY OF SIGNIFICANT ACCOUNT POLICIES

Basis of presentation

The consolidated financial statements have been prepared under the historical cost basis, except for certain financial instruments, which are measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company, which consist of:

- Element Lifestyle Management Inc., which was incorporated in British Columbia, and is owned 100% by the Company.

- Aquara GP Ltd. which was incorporated in British Columbia, and is owned 100% by the Company. It is the new GP of Aquara LP.
- Element Medical Equipment Inc., which was incorporated in British Columbia, and it owned 100% by the Company.
- Element Lifestyle Retirement (Hong Kong) Ltd., which was incorporated in Hong Kong, and is owned 100% by the Company.

Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant intercompany transactions and balances have been eliminated on consolidation.

The following accounting policies have been applied consistently to all periods presented in the consolidated financial statements.

Foreign currency

These consolidated financial statements are presented in Canadian dollars, which is the functional and presentation currency of the parent. Each entity determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The parent and its subsidiaries use the Canadian dollar as their functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the end of reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates. Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

Borrowing Costs

Borrowing costs are incurred that are attributable to acquiring and developing properties and constructing new facilities (qualifying assets) are capitalized and included in the carrying amounts of qualifying assets until those qualifying assets are ready for their intended use. Capitalization commences on the date that expenditures for the qualifying asset are being incurred, borrowing costs are being incurred by the Company and activities that are necessary to prepare the qualifying asset for its intended use are being undertaken. All other borrowing costs are expensed in the period in which they are incurred.

Financial instruments

Financial assets and financial liabilities are initially recognized at fair value, and their subsequent measurement is dependent on their classification. The classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Company’s designation of such instruments.

The classification and measurement of financial assets consists of the following categories: (i) measured at amortized cost, (ii) fair value through profit and loss ("FVTPL"), and (iii) fair value through other comprehensive income ("FVTOCI"). Financial assets classified at amortized cost are measured using the effective interest method. Financial assets classified as FVTPL are measured at fair value with gains and losses recognized in the statement of net income except for gains and losses pertaining to impairment or foreign exchange recognized through net income.

The classification and measurement of financial liabilities consists of the following categories: (i) measured at amortized cost and (ii) FVTPL. Financial liabilities classified at amortized cost are measured using the effective interest method. Financial liabilities classified as FVTPL are measured at fair value with changes in fair value attributable to changes in the credit risk of the liability presented in other comprehensive income, and the remaining amount of change in fair value presented in the statement of net income.

	IFRS 9 Classification
Financial Assets	
Cash	Amortized cost
Accounts receivable and other receivables	Amortized cost
Note receivable	Amortized cost
Financial Liabilities	
Accounts payable and other payables	Amortized cost
Lease liabilities	Amortized cost
Convertible debentures	Amortized cost

The Company made the following classifications:

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the rights to receive the contractual cash flows are transferred in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

A financial liability is derecognized when the Company's contractual obligations are discharged, cancelled or expired.

Financial instruments are comprised of cash, accounts receivable and other receivables, note receivable, accounts payable and other payables, lease liabilities and convertible debentures.

Cash

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

Accounts receivable and other receivables

Other receivables are initially recorded at fair value and subsequently measured at amortized cost. The carrying value of other receivables, after consideration of the provision for doubtful accounts, approximate their fair value due to the short-term maturity of these instruments.

Note receivable

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

Account payables and other payables

Account payables and accrued liabilities are initially recorded at fair value and subsequently measured at amortized cost, which approximates fair value due to the short-term nature of the instruments.

Lease liabilities

Lease liabilities are initially recorded at fair value and subsequently measured at amortized cost, which approximates fair value due to the short-term nature of the instruments.

Convertible debentures

Convertible debentures are compound financial instruments which are accounted for separately by their components: a financial liability and an equity instrument. The financial liability, which represents the obligation to pay coupon interest on convertible debentures in the future, is initially measured at its fair value and subsequently measured at amortized cost. The residual amount is accounted for as an equity instrument at issuance.

The identification of convertible notes components is based on interpretations of the substance of the contractual arrangement and therefore requires judgment from management.

The separation of the components affects the initial recognition of the convertible debenture at issuance and the subsequent recognition of interest on the liability component. The determination of the fair value of the liability is also based on a number of assumptions, including contractual cash flows, discount rates and the presence of any derivative financial instruments.

Property and equipment

Property and equipment are carried at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are capitalized to the asset’s carrying amount or recognized as a separate asset, as appropriate, when it is probable that future economic benefits associated with the cost will flow to the Company and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repair and maintenance costs are charged to net income (loss) during the period in which they are incurred.

The Company records depreciation at rates designed to depreciate the cost of the property and equipment less the estimated residual value over the estimated useful lives. The annual depreciation rates and method is as follow:

Computer equipment	55% declining balance method
Computer software	100% declining balance method
Furniture and fixture	20% declining balance method
Leasehold improvements	5 years straight-line method

The Company allocates the initial cost of an item of equipment to its significant components and depreciates separately each such component. Residual values, method of depreciation and useful lives of the assets are reviewed at least annually and adjusted, if appropriate. Gains and losses on disposals of property and equipment are included in net loss.

Intangible asset

Intangible assets are recorded at cost less any accumulated amortization and accumulated impairment losses.
Impairment for intangible assets with finite lives is tested if there is any indication of impairment.
Intangible assets with finite useful lives are amortized over their estimated useful lives using the following methods and rate:

	Useful life
Trademark	20 years

Amortization begins when assets become available for use. The estimated life, amortization method, and rate are reviewed at the end of each reporting period, with the effect of any changes in estimates being accounted for on a prospective basis.

Revenue

The Company's accounting policy for revenue recognition under IFRS 15 is to follow a five-step model to determine the amount and timing of revenue to be recognized:

1. Identifying the contract with a customer

2. Identifying the performance obligations within the contract

3. Determining the transaction price

4. Allocating the transaction price to the performance obligations

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

Revenue includes amounts earned from providing consulting and project management services for developing senior retirement communities together with private residential development along with consulting and management fees associated with the operation of retirement homes.

Consulting and project management fee revenue

Fees generated from consulting services regarding developing senior retirement communities and private residential development is recognized when the services are rendered.

Consulting service revenue

The Company will earn a consulting fee based on progress on the specific stages of development of the projects. Revenue is recognized when the services are rendered.

Management services revenue

The Company will earn a management fee based on fixed monthly billings for managing retirement homes for third parties. Revenue is recognized when the services are rendered.

The Company recognizes revenue in an amount that reflects the consideration that the Company expects to receive taking into account any variation that may result from rights of return. If the Company is not certain the revenue is collectable, no revenue will be recognized even the services have rendered. The pattern and timing of revenue recognition under the new standard is consistent with prior year practice.

Impairment of non-financial assets

The Company reviews the carrying amounts of its equipment at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss. Non-financial assets, other than goodwill, that have been impaired are reviewed for possible reversal of the impairment at each reporting date.

Share capital

Common shares are classified as shareholders' equity. Transaction costs directly attributable to the issuance of shares are recognized as a reduction from shareholders' equity.

Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and are amortized over the vesting periods using a graded attribution approach. Share-based payments to non-employees are measured at the fair value of the goods or services received or at the fair value of the equity instruments issued (if it is determined the fair value of the goods or services cannot be reliably measured), and are recorded at the date the goods or services are received. If, and when, the stock options or warrants are ultimately exercised, the applicable amounts of reserves are transferred to share capital.

The fair value of the options is measured at grant date, using the Black-Scholes option pricing model and is recognized during the period that the employees earn the options. The fair value is recognized as an expense with a corresponding increase in equity. The amount recognized as expense is adjusted to reflect the number of share options expected to vest. Forfeitures of stock options are accounted for as incurred.

Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in the consolidated statements of loss and comprehensive loss except to the extent it relates to items recognized or directly in equity.

Current tax

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred taxes are the taxes expected to be payable or recoverable on the difference between the carrying amounts of assets in the consolidated statements of financial position and their corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences between the carrying amounts of assets and their corresponding tax bases. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities:

- are generally recognized for all taxable temporary differences;
- are recognized for taxable temporary differences arising on investments in subsidiaries except where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future; and
- are not recognized on temporary differences that arise from goodwill which is not deductible for tax purposes.

Deferred tax assets:

- are recognized to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilized; and
- are reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of an asset to be recovered.

Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control and may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Significant accounting judgments and estimates

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amount of revenue and expenses during the reporting year.

The Company bases its estimates and assumptions on current facts, historical experience, and various other factors that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. These estimates require the extensive use of judgment about the nature, cost and timing of the work to be completed, and may change with future changes to costs, environmental laws and regulations and remediation practices. The actual results experienced by the Company may differ materially and adversely from the Company's estimates. To the extent there are material differences between the estimates and the actual results, future results of operations will be affected.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statements of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

(i) The timing of significant risks of ownership has been transferred in the revenue transactions.

(ii) The recoverability of the accounts receivable and other receivables and note receivable which are recorded in the statements of financial position.

(iii) The estimated useful lives of furniture and computer equipment which are included in the statements of financial position and the related depreciation included in the statements of comprehensive loss.

(iv) The provision for income taxes which is included in the statements of comprehensive loss and composition and quantification of deferred income tax assets included in the statements of financial position.

(v) The identification of convertible notes components is based on interpretations of the substance of the contractual arrangement and therefore requires judgment from management. The separation of the components affects the initial recognition of the convertible debenture at issuance and the subsequent recognition of interest on the liability component. The determination of the fair value of the liability is also based on a number of assumptions, including contractual future cash flows, discount rates and the presence of any derivative financial instruments.

(vi) Leased capital assets - On interpretations of the substance of the contractual arrangement and therefore requires judgment from management. The capitalization of leased capital assets affects the initial recognition of right of use assets and lease liabilities and the subsequent recognition of interest on the lease liabilities. The determination of the fair value of the liability is also based on a number of assumptions, including contractual future cash flows, discount rates and the presence of any derivative financial instruments.

(All dollar amounts expressed in Canadian dollars)

(vii) Going concern - The determination if the Company has the ability to continue as a going concern is dependent on its ability to achieve profitable operations. There is an assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. Certain judgements are made by management when determining if and when the Company will achieve profitable operations.

Earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing the profit or (loss) attributable to the common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted earnings (loss) per share is calculated based on the weighted average number of common shares outstanding during the year, plus the effects of dilutive common share equivalents. This calculation requires that the dilutive effect of outstanding options and warrants issued be calculated using the treasury stock method. The treasury stock method assumes that all common share equivalents have been exercised at the beginning of the year (or at the time of issuance, if later), and that the funds obtained thereby were used to purchase comm on shares of the Company at the average trading price of common shares during the year.

The calculation of diluted loss per share excludes the effects of various conversions and exercises of options and warrants that would be anti-dilutive.

5. ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES AND LONG TERM RECEIVABLES

Accounts receivable and other receivables for the year ended May 31, 2022 and 2021 are as follows:

		May 31, 2022		May 31, 2021
Accounts receivable	$	**930,462**	$	35,466
Other receivables		**430**		-
	$	**930,892**	$	35,466

On an undiscounted basis. long term receivables for the year ended May 31, 2022 and 2021 are as follows:

		May 31, 2022		May 31, 2021
Accounts receivable	$	**245,000**	$	-
Interest receivables		**183,023**		114,951
	$	**428,023**	$	114,951

The total long-term receivable balance of $428,023 comprise of balances from Aquara LP. The interest receivable of $183,203 (2021: $114,951) pertains to the total outstanding balance since October 1, 2018 of the note receivable while the accounts receivable $245,000 (2021: $nil) relates to consulting fees. This balance has been discounted at seven percent (7%), resulting in a carrying value of $337,773, with $90,250, being the difference between this amount and the undiscounted value going through accretion expense.

(All dollar amounts expressed in Canadian dollars)

As of May 31, 2022, management has determined that all receivables are collectible and no allowance for doubtful accounts is necessary.

6. NOTE RECEIVABLE

The note receivable of $704,247 (2021: $704,247) is a promissory note from Aquara LP. This balance has been discounted at seven percent (7%), resulting in a carrying value of $555,752, with $148,495, being the difference between this amount and the undiscounted value going through accretion expense.

7. LONG TERM INVESTMENT

		May 31, 2022		May 31, 2021
Long term investment	$	**19**	$	19
Investment in joint venture		**50**		-
	$	**69**	$	19

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

8. PROPERTY AND EQUIPMENT

Property and equipment for the years ended May 31, 2022 and 2021 were as follows:

	Funiture & fixtures	Computer equipment	Computer software	Leasehold improvement	Right-of-use assets	Total
Cost						
May 31, 2021	$ 60,787	$ 81,572	$ 19,959	$ 459,216	$ 204,144	$ 825,678
Additions	2,421	1,383	1,700	-	-	5,504
May 31, 2022	63,208	82,955	21,659	459,216	204,144	831,182
Accumulated amortization						
May 31, 2021	41,407	68,320	18,327	438,283	177,548	743,885
Additions	4,118	7,669	2,482	20,933	26,596	61,798
May 31, 2022	45,525	75,989	20,809	459,216	204,144	805,683
Net book value						
May 31, 2021	$ 19,380	$ 13,252	$ 1,632	$ 20,933	$ 26,596	$ 81,793
May 31, 2022	$ 17,683	$ 6,966	$ 850	$ -	$ -	$ 25,499

(All dollar amounts expressed in Canadian dollars)

9. TRADE-MARKS

As at May 31, 2022, the Company had incurred legal fees of $27,146 (2021: $27,146) regarding three trade-marks: Opal Vancouver (formally Opal by Element), Opal Langley (formally Oasis by Element) and Opal Victoria (formally Aquara by Element).

10. ACCOUNT PAYABLES AND OTHER PAYABLES

		May 31, 2022		May 31, 2021
Accounts payable and accrued liabilities	$	**64,701**	$	99,417
Interest payable		**73,212**		73,212
GST payable		**50,281**		-
Salaries and benefits payable		**12,176**		14,236
	$	**200,370**	$	186,865

11. CONVERTIBLE DEBENTURES

On August 29, 2017, the Company issued $2,510,000 in unsecured convertible debentures (the "Debentures"). The Debentures bear interest at 7% per annum with a term of 5 years. Each Debenture is convertible into common shares of the Company at a price of $0.30 per share.

The following table summarizes the Company's convertible debentures as at May 31, 2022 and 2021:

		May 31, 2022		May 31, 2021
Issued	**$**	**2,510,000**	$	2,510,000
Equity portion of convertible loan - Gross		**(971,199)**		(971,199)
Financing fees		**(64,469)**		(64,469)
Accretion expense		**969,773**		723,042
Loan portion of convertible loan	**$**	**2,444,105**	$	2,197,374

		May 31, 2022		May 31, 2021
Equity portion of convertible loan - Gross	**$**	**971,199**	$	971,199
Equity portion of financing cost		**(40,689)**		(40,689)
Deferred tax related to conversion feature		**(252,512)**		(252,512)
Equity portion of convertible loan - net	**$**	**677,998**	$	677,998

12. SHARE CAPITAL

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

Issued or allotted and fully paid:

a) Common shares

During the year ended May 31, 2022, the Company did not issue any new shares.

b) Warrants

During the year ended May 31, 2022, the Company did not have any outstanding warrants.

(All dollar amounts expressed in Canadian dollars)

c) Stock-based compensation reserve

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

	Number of options		Weighted average exercise Price
Balance – May 31, 2021	560,000	$	0.25
Expired	-160,000		-
Balance – May 31, 2022	400,000(*)	$	0.25

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

As of May 31, 2022, the weighted average remaining contractual life of the options issued and outstanding is 0.33 years.

13. OTHER INCOME

The following table reflects other income during the years ended May 31, 2022 and 2021:

		May 31, 2022		May 31, 2021
Interest income	$	**70,267**	$	23,608
Rental income		**30,000**		15,000
Loss on disposition of long term investment		**(49)**		-
Other income	$	**100,218**	$	38,608

14. INCOME TAXES

The following table reconciles the expected income tax expense (recovery) at the Canadian statutory income tax rates to the amounts recognized in the consolidated statements of operations and comprehensive loss for the years ended May 31, 2022 and 2021:

	2022	**2021**
	$	**$**
Net loss before tax	(21,912)	(1,528,268)
Statutory tax rate	27.0%	27.0%
Expected income tax (recovery)	(5,916)	(412,632)
Non-deductible (taxable) items and other	9,603	61,831
Change in deferred tax assets not recognized	(3,687)	350,801
Total income tax expense (recovery)	-	-

	2022	2021
	$	$
Current tax expense (recovery)	-	-
Deferred tax expense (recovery)	-	-
Total income tax expense (recovery)	-	-

The deferred tax assets and liabilities are as follows:

Deferred tax assets (liabilities)		2022		2021
Non capital loss carry forwards - Canada	$	25,121	$	91,739
Lease obligation		-		7,181
Convertible debenture		(17,792)		(84,409)
Right of Use Asset		-		(7,181)
Intangible assets		(7,330)		(7,330)
Net deferred tax assets (liabilities)	$	-	$	-

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their corresponding values for tax purposes. The unrecognized deductible temporary differences are as follows:

	2022	2021
	$	$
Non capital loss carryforwards - Canada	8,348,225	8,764,340
Net operating loss carry forwards - Hong Kong	23,641	21,871
Share issuance cost	550	28,563
Long term receivable	238,745	-
Property and equipment	561,690	526,489
Lease obligation	-	21,804
Donations	1,000	1,000
Total unrecognized deductible temporary differences	9,173,851	9,364,067

(All dollar amounts expressed in Canadian dollars)

As at May 31, 2022 the Company has not recognized a deferred tax asset in respect of non capital loss carryforwards of approximately$8,348,225 (2021: $8,764,339) which may be carried forward to apply against future year income for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

Canada		
Expiry		
2034	$	-
2035		-
2036		855,775.0
2037		1,737,064.0
2038		840,724.0
2039		1,350,512.0
2040		2,140,703.0
2041		1,143,339.0
2042		280,108.0
TOTAL	$	8,348,225.0

As at May 31, 2022, the Company has not recognized a deferred tax asset in respect of net operating loss carryforwards of approximately $23,641 (2021: $21,871) which may be carried forward indefinitely to apply against future year income for Hong Kong income tax purposes, the amount of operating loss carryforwards subject to the final determination by taxation authorities.

15. RELATED PARTY TRANSACTIONS

During the year ended May 31, 2022, the Company:

(a) Received management fee revenue of $240,000 (2021: $240,000) from a company controlled by a director;

(b) Charged consulting fee revenue of $900,000 (2021: $nil) from Aquara LP;

(c) Received consulting fee revenue of $846,154 (2021: $nil) from Aquara Development Corporation;

(d) Accrued interest receivable of $70,267 (2021: 23,631) on the promissory note issued from Aquara LP;

(e) paid rent of $140,478 (2021: $141,171) to a company controlled by a director;

(f) paid subcontractor fees $75,000 (2021: $75,000) to a company controlled by a certain officer;

(g) incurred director fees of $40,500 (2021: $30,250) regarding the Company's independent directors;

(h) paid $377,707 (2021: $106,268) for expenses on behalf of Aquara LP;

(i) borrowed $300,000 (2021: $200,000) from a company controlled by a director;

(All dollar amounts expressed in Canadian dollars)

(j) $8,797 (2021: $89,637) of expenses paid by the companies controlled by a director; and

As at May 31, 2022, $71,484 (May 31, 2021: $nil) was receivable from a certain director and $562,679 (May 31, 2021: $171,475) was payables to the companies controlled by certain directors.

As at May 31, 2022, $465,364 (May 31, 2021: $1,074,545) was receivable from Aquara LP for the development costs and fundraising costs paid on behalf of Aquara project and outstanding accounts receivable of $233,333 (May 31, 2021: $nil). In addition, $704,247 (May 31, 2021: $704,247) of note receivable and $183,453 (May 31, 2021: $114,951) of interest receivable are still outstanding as at May 31, 2022.

As at May 31, 2022, $75,298 (May 31, 2021: $nil) was receivable from Element Lifestyle (Vic Harbour West) Inc. for transferring assets and liabilities before transferred 50 shares to a third party.

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

16. KEY MANAGEMENT COMPENSATION

The compensation paid or payable to key management personnel during the years ended May 31, 2022 and 2021 were as follows:

		2022		2021
Salaries and short-term employee benefits	**$**	**447,399**	$	446,405
Subcontractor		**75,000**		75,000
Total	**$**	**522,399**	$	521,405

17. FINANCIAL INSTRUMENTS

Fair value of financial instruments

As at May 31, 2022, the Company's financial instruments consisted of cash, accounts receivable and other receivables except GST receivable, note receivable, due from related parties, long term receivables, long term note receivables, account payables and other payables except GST payable, due to related parties, convertible debentures and lease liabilities. The fair values of accounts receivable and other receivables, note receivable, due from related parties, and account payables and other payables, and due to related parties 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	May 31, 2022	May 31, 2021
Financial Assets:					
Cash	$ 232,427	$ -	$ -	$ 232,427	$ 102,050
Accounts receivable and other receivables	930,892	-	-	930,892	35,466
Note receivable	0	-	-	0	704,247
Due from related parties	49,467	-	-	49,467	903,050
Long term receivables	337,773	-	-	337,773	114,951
Long term note receivables	555,752	-	-	555,752	-
Total financial assets	$ 2,106,311	$ -	$ -	$ 2,106,311	$ 1,859,764
Financial Liabilities:					
Accounts payable and other receivables	$ 150,089	$ -	$ -	$ 150,089	$ 186,865
Convertible debentures	-	-	2,444,105	2,444,105	2,197,374
Lease liabilities	-	-	-	-	48,400
Total financial liabilities	$ 150,089	$ -	$ 2,444,105	$ 2,594,194	$ 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 managements liquidity risk through the management of its capital structure. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. For the year ended May 31, 2020, 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's charge the industry standard rate for its management fees and consulting fees.

18. CAPITAL MANAGEMENT

The Company defines its capital as the total of its shareholder loans and shareholders' equity less cash.

The Company's objectives when managing capital are to: (i) maintain a capital structure that provides financing options to the Company for accessing capital, on commercially reasonable terms, without exceeding its debt capacity, or taking on undue risks; (ii) maintain financial flexibility in order to preserve its ability to meet financial obligations; and (iii) deploy capital to provide an appropriate investment return to its shareholders.

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

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

19. SUBSEQUENT EVENTS

On August 19, 2022, a convertible debenture (Note 11) had its maturity date extended from August 29, 2022, to August 29, 2025, subject to finalization of documentation with the counterparty. As consideration for the extension, the Company agreed to prepay the debenture holders 10% of the value of debenture in cash thereby reducing the total amount of the debenture from $2,510,000 to $2,259,000.

On September 28, 2022, 400,000 stock options expired.