# ELEMENT LIFESTYLE RETIREMENT INC.

**Unaudited Condensed Consolidated Interim Financial Statements**

**Three and Six Months Ended November 30, 2023 and 2022**

**NOTICE TO READERS**

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

**ELEMENT LIFESTYLE RETIREMENT INC.**

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## ELEMENT LIFESTYLE RETIREMENT INC.

**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**

*(Unaudited - See Notice To Reader)*

*(Expressed in Canadian dollars)*

| As at | Nov 30, 2023 | May 31, 2023 |
|---|---|---|
| **ASSETS** | | |
| **Current** | | |
| Cash | $ **12,004** | $ 189,298 |
| Accounts receivable *(Note 5)* | **100,679** | 36,991 |
| Prepaid expenses | **9,219** | 9,782 |
| Due from related parties *(Note 11)* | **25,674** | 122,426 |
| **Total current assets** | **147,576** | 358,497 |
| Long term investment | **69** | 69 |
| Long term receivables *(Note 5)* | **427,382** | 374,201 |
| Long term note receivable *(Note 6)* | **561,422** | 530,494 |
| Property and equipment (*Note 7*) | **30,036** | 20,866 |
| Trade-marks | **27,147** | 27,147 |
| **Total assets** | $ **1,193,632** | $ 1,311,274 |
| **LIABILITIES** | | |
| **Current** | | |
| Accounts payable and accrued liabilities (*Note 8*) | $ **100,837** | $ 168,260 |
| **Long term liabilities** | | |
| Convertible debentures (*Note 9*) | **1,838,232** | 1,733,103 |
| **Total liabilities** | **1,939,069** | 1,901,363 |
| **SHAREHOLDERS' DEFICIT** | | |
| Share capital *(Note 10)* | **9,166,702** | 9,166,702 |
| Share issuance costs | **(260,385)** | (260,385) |
| Equity component of convertible debentures *(Note 9)* | **473,860** | 473,860 |
| Contributed surplus | **1,309,564** | 1,309,564 |
| Deficit | **(11,435,178)** | (11,279,830) |
| **Total shareholders' deficit** | **(745,437)** | (590,089) |
| **Total liabilities and shareholders' deficit** | $ **1,193,632** | $ 1,311,274 |

*On behalf of the Board*

*"John Gilbert"* Director

*"Michael Diao"* Director

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

**ELEMENT LIFESTYLE RETIREMENT INC.**
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)**
*(Unaudited - See Notice To Reader)*
*(Expressed in Canadian dollars)*

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | **Nov 30, 2023** | Nov 30, 2022 | **Nov 30, 2023** | Nov 30, 2022 |
| **REVENUE** | | | | |
| Consulting fees | $ **259,426** | $ 250,000 | $ **515,851** | $ 513,846 |
| **EXPENSES** | | | | |
| Accretion expenses | **30,143** | (148,671) | **60,344** | (86,130) |
| Advertising and promotion | **6,200** | 17,599 | **13,230** | 43,381 |
| Amortization | **3,844** | 2,333 | **5,453** | 4,428 |
| Consulting fees | **1,250** | - | **1,250** | - |
| General & administration | **21,960** | 38,829 | **48,361** | 90,778 |
| Interest expenses | **39,533** | 39,533 | **79,065** | 83,378 |
| Professional fees | **3,989** | 25,136 | **16,052** | 29,510 |
| Rent | **-** | 7,208 | **-** | 29,861 |
| Salaries, wages and benefits | **209,923** | 235,567 | **419,242** | 468,063 |
| Subcontract fees | **22,500** | 20,000 | **45,000** | 38,750 |
| Travel | **10,500** | 37,617 | **22,546** | 64,129 |
| | **349,842** | 275,151 | **710,543** | 766,148 |
| **OTHER INCOME** | | | | |
| Interest income | **19,665** | 11,117 | **39,344** | 25,756 |
| **LOSS BEFORE INCOME TAXES** | **(70,751)** | (14,034) | **(155,348)** | (226,546) |
| **INCOME TAXES** | | | | |
| Deferred income tax recovery | **-** | 155,167 | **-** | 155,167 |
| **INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)** | $ **(70,751)** | $ 141,133 | $ **(155,348)** | $ (71,379) |
| **Basic and diluted loss per common share** | $ **(0.001)** | $ 0.002 | $ **(0.002)** | $ (0.001) |
| **Weighted average number of shares outstanding** | **70,478,299** | 70,478,299 | **70,478,299** | 70,478,299 |

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

**ELEMENT LIFESTYLE RETIREMENT INC.**

**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY**

*(Unaudited - See Notice To Reader)*

*(Expressed in Canadian dollars - Unaudited)*

| | Common shares outstanding | Paid-in capital | Contributed surplus | Equity component of convertible debenture | Stock-based compensation reserve | Share issuance costs | Deficit | Total |
|---|---|---|---|---|---|---|---|---|
| Balance, May 31, 2022 | 70,478,299 | $ 9,166,702 | $ $ 558,369 | $ 677,998 | $ 73,197 | $ (260,385) | $ (10,664,294) | $ (448,413) |
| Comprehensive loss for the period | - | - | - | - | - | - | (672,328) | (672,328) |
| Balance, Nov 30, 2022 | 70,478,299 | $ 9,166,702 | $ $ 558,369 | $ 677,998 | $ 73,197 | $ (260,385) | $ (11,336,622) | $ (1,120,741) |

| | Common shares outstanding | Paid-in capital | Contributed surplus | Equity component of convertible debenture | Stock-based compensation reserve | Share issuance costs | Deficit | Total |
|---|---|---|---|---|---|---|---|---|
| Balance, May 31, 2023 | 70,478,299 | $ 9,166,702 | $ $ 1,309,564 | $ 473,860 | $ - | $ (260,385) | $ (11,279,830) | $ (590,089) |
| Comprehensive loss for the period | - | - | - | - | - | - | (155,348) | (155,348) |
| Balance, Nov 30, 2023 | 70,478,299 | $ 9,166,702 | $ $ 1,309,564 | $ 473,860 | $ - | $ (260,385) | $ (11,435,178) | $ (745,437) |

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

**ELEMENT LIFESTYLE RETIREMENT INC.**
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**
*(Unaudited - See Notice To Reader)*
*(Expressed in Canadian dollars)*

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | **Nov 30, 2023** | Nov 30, 2022 | **Nov 30, 2023** | Nov 30, 2022 |
| **CASH FLOWS USED IN OPERATING ACTIVITIES** | | | | |
| Income (loss) for the period | $ **(70,751)** | $ 141,133 | $ **(155,348)** | $ (71,379) |
| Items not affecting cash: | | | | |
| Amortization | **3,844** | 2,333 | **5,453** | 4,428 |
| Accretion expenses | **30,143** | (149,075) | **60,345** | (111,881) |
| Deferred tax recovery | **-** | (155,167) | **-** | (155,167) |
| Changes in non-cash working capital: | | | | |
| Accounts receivable | **(63,021)** | (73,500) | **(63,688)** | 774,075 |
| Long term accounts receivable | **(19,662)** | - | **(39,324)** | - |
| Prepaid expenses | **2,203** | 4,546 | **563** | 10,420 |
| Accounts payable and accrued liabilities | **3,604** | 291,181 | **(67,423)** | 165,018 |
| | **(113,640)** | 61,451 | **(259,422)** | 615,514 |
| **CASH FLOWS USED IN INVESTING ACTIVITIES** | | | | |
| Purchase of property and equipment | **(14,624)** | (1,900) | **(14,624)** | (3,534) |
| **CASH FLOWS USED IN FINANCING ACTIVITIES** | | | | |
| Due from related parties | **68,453** | (79,569) | **96,752** | (49,515) |
| Repayment of other long-teerm liabilities | **-** | (251,000) | **-** | (251,000) |
| | **68,453** | (330,569) | **96,752** | (300,515) |
| **CHANGE IN CASH DURING THE PERIOD** | **(59,811)** | (271,018) | **(177,294)** | 311,465 |
| **CASH, BEGINNING OF THE PERIOD** | **71,815** | 814,910 | **189,298** | 232,427 |
| **CASH, END OF THE PERIOD** | $ **12,004** | $ 543,892 | $ **12,004** | $ 543,892 |

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

## 1. NATURE OF OPERATIONS AND GOING CONCERN

### Nature of operations

Element Lifestyle Retirement Inc. (the "Company" or "ELM") was incorporated under the British Columbia Company Act on May 31, 2007. The Company provides development management services for senior retirement communities. The head office and principal address of the Company is located at 438 W. King Edward Ave, Vancouver, BC, V5Y 0M5.

These unaudited condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiaries, Element Lifestyle Management Inc., Element Lifestyle Retirement (Hong Kong) Ltd., Element Medical Equipment Inc., and Aquara GP Ltd.

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

## 2. STATEMENT OF COMPLIANCE

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 – Interim Financial Reporting under International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). These condensed interim consolidated financial statements have been prepared on a basis consistent with the accounting policies disclosed in the May 31, 2023 audited annual consolidated financial statements. These condensed consolidated interim financial statements do not contain all of the information required for full annual financial statements. Accordingly, these unaudited condensed consolidated interim financial statements should be read in conjunction with the Company's May 31, 2023, annual consolidated financial statements, which were prepared in accordance with IFRS as issued by the IASB.

The unaudited condensed consolidated interim financial statements were approved by the Board of Directors for issue January 24, 2024.

## 3. BASIS OF PRESENTATION

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

**Basis of consolidation**

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

- Element Lifestyle Management Inc., which was incorporated in British Columbia – owned 100% by the Company.
- Element Lifestyle Retirement (Hong Kong) Ltd., which was incorporated in Hong Kong – owned 100% by the Company.
- Element Medical Equipment Inc., which was incorporated in British Columbia – owned 100% by the Company.
- Aquara GP Ltd., which was incorporated in British Columbia – owned 100% by the Company.

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

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

In preparing these condensed consolidated interim financial statements, the accounting policies utilized are consistent with those utilized in the preparation of the annual audited financial statements for the year ended May 31, 2023.

The significant judgments made by management in applying the Company's accounting policies and the key sources of estimating uncertainty were the same as those applied to the annual audited financial statements for the year ended May 31, 2023.

## 5. ACCOUNTS RECEIVABLE

Accounts receivable for the period ended November 30, 2023 and May 31, 2023 are as follows:

| | | **Nov 30, 2023** | | May 31, 2023 |
|---|---|---|---|---|
| Accounts receivable | $ | **91,839** | $ | 36,351 |
| Other receivables | | **8,840** | | 640 |
| | $ | **100,679** | $ | 36,991 |

Discounted long term receivables for the period ended November 30, 2023 and May 31, 2023 are as follows:

| | Nov 30, 2023 | May 31, 2023 |
|---|---|---|
| Accounts receivable | $ **195,313** | $ 184,553 |
| Interest receivables | **232,069** | 189,648 |
| | $ **427,382** | $ 374,201 |

The total undiscounted long-term receivable balance of $536,108 (May 31, 2023: $496,764) comprises balances of interest receivable and accounts receivable from Aquara LP. The interest receivable of $291,108 (May 31, 2023: $251,764) pertains to the total outstanding balance since October 1, 2018 of the note receivable while the accounts receivable $245,000 (May 31, 2023: $245,000) relates to consulting fees. This balance has been discounted at twelve percent (12%), resulting in a carrying value of $427,382 (May 31, 2023: $374,201), with $13,856 going through accretion expense.

As of November 30, 2023, management has determined that all receivables are collectible and no allowance for doubtful accounts is necessary.

## 6. LONG TERM NOTE RECEIVABLES

The note receivable of $704,247 (May 31, 2023: $704,247) is a promissory note from Aquara LP. This balance has been discounted at twelve percent (12%), resulting in a carrying value of $561,422 (May 31, 2023: $530,494), with $30,928 going through accretion expense.

## 7. PROPERTY AND EQUIPMENT

Property and equipment for the six months ended November 30, 2023 and year ended May 31, 2023 were as follows:

| | Funiture & fixtures | Computer equipment | Computer software | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| May 31, 2023 | $ 64,842 | $ 84,561 | $ 23,559 | $ 172,962 |
| Additions | - | 12,634 | 1,990 | 14,624 |
| November 30, 2023 | 64,842 | 97,195 | 25,549 | 187,586 |
| **Accumulated amortization** | | | | |
| May 31, 2023 | 49,225 | 80,262 | 22,609 | 152,096 |
| Additions | 1,562 | 2,919 | 973 | 5,454 |
| November 30, 2023 | 50,787 | 83,181 | 23,582 | 157,550 |
| **Net book value** | | | | |
| May 31, 2023 | $ 15,617 | $ 4,299 | $ 950 | $ 20,866 |
| November 30, 2023 | $ 14,055 | $ 14,013 | $ 1,968 | $ 30,036 |

## 8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | | Nov 30, 2023 | | May 31, 2023 |
|---|---|---|---|---|
| Accounts payable and accrued liabilities | $ | **16,378** | $ | 75,985 |
| Interest payable | | **67,862** | | 67,862 |
| GST payable | | **8,841** | | 12,573 |
| Salaries and benefits payable | | **7,755** | | 11,840 |
| | $ | **100,837** | $ | 168,260 |

## 9. CONVERTIBLE DEBENTURES

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

The following table summarizes the Company's convertible debentures as at November 30, 2023 and May 31, 2023:

| | | Nov 30, 2023 | | May 31, 2023 |
|---|---|---|---|---|
| Issued | **$** | **2,259,000** | $ | 2,259,000 |
| Equity portion of convertible loan - Gross | | **(657,511)** | | (657,511) |
| Financing fees | | **(14,915)** | | (14,915) |
| Accretion expense | | **251,658** | | 146,529 |
| Loan portion of convertible loan | **$** | **1,838,232** | $ | 1,733,103 |

| | | Nov 30, 2023 | | May 31, 2023 |
|---|---|---|---|---|
| Equity portion of convertible loan - Gross | **$** | **657,511** | $ | 657,511 |
| Equity portion of financing cost | | **(6,123)** | | (6,123) |
| Deferred tax related to conversion feature | | **(177,528)** | | (177,528) |
| Equity portion of convertible loan - net | **$** | **473,860** | $ | 473,860 |

## 10. SHARE CAPITAL

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

**Issued or allotted and fully paid:**

**a) Common shares**

During the period ended November 30, 2023, the Company did not issue any new shares.

## 11. RELATED PARTY TRANSACTIONS

During the period ended November 30, 2023, the Company:

(a) received management fee revenue of $109,426 (2022: $60,000) from a company controlled by a director;

(b) received consulting fee revenue of $150,000 (2022: $150,000) from Aquara Development Corporation;

(c) accrued interest receivable of $19,665 (2022: $16,853) on the promissory note issued from Aquara LP;

(d) incurred director fees of $14,000 (2022: $14,000) regarding the Company's independent directors;

(e) paid subcontractor fees $22,500 (2022: $20,000) to a company controlled by a certain officer;

(f) paid $11,804 (2022: $11,867) for the expenses on behalf of Aquara Development Corporation;

(g) companies controlled by a certain director paid $49,459 (2022: $69,396) on behalf of the company, and

As of November 30, 2023, $1,201 (May 31, 2023: $19,496) was receivable from a certain director for travel expenses and $586,172 (May 31, 2023: $484,068) was payable from the companies controlled by certain directors.

As of November 30, 2023, $469,355 (May 31, 2023: $469,355) was receivable from Aquara LP and $69,091 (May 31, 2023: $45,466) from Aquara Development Corporation for the development costs and fundraising costs paid on behalf of Aquara project and outstanding accounts receivable of $245,000 (May 31, 2023: $245,000). In addition, $704,247 (May 31, 2023: $704,247) of note receivable and $291,108 (May 31, 2023: $251,764) of interest receivable are still outstanding.

As of November 30, 2023, $72,198 (May 31, 2023: $72,198) was receivable from Element Lifestyle (Vic Harbour West) Inc..

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

## 12. KEY MANAGEMENT COMPENSATION

The compensation paid or payable to key management personnel during the three months ended November 30, 2023 and 2022 were as follows:

| | **Three Months Ended** | | **Six Months Ended** | |
|---|---|---|---|---|
| | **Nov 30, 2023** | Nov 30, 2022 | **Nov 30, 2023** | Nov 30, 2022 |
| Salaries and short-term employee benefits | **$ 83,645** | $ 109,367 | **$ 167,721** | $ 219,685 |
| Consulting fees | **22,500** | 19,688 | **45,000** | 39,376 |
| Total | **$ 106,145** | $ 129,055 | **$ 212,721** | $ 259,061 |

## 13. FINANCIAL INSTRUMENTS

*Fair value of financial instruments*

As at November 30, 2023, the Company's financial instruments consisted of cash, accounts receivable and other receivables except GST receivable, due from related parties, long term receivables, long term note receivables, account payables and other payables except GST payable, and convertible debentures. The carrying value of cash, accounts receivable and other receivable, due from related parties, and account payables and other payables approximate their fair values because of their current nature. Long-term receivables, long-term nots receivables, and convertible

debentures less any finance costs are recorded at fair value. Subsequent to initial recognition, long-term receivables, long-term notes receivables, and convertible debentures are measured at fair value with changes in fair value recognized in the consolidated statement of loss and comprehensive loss based on discounted cash flows using effective interest rate, which is consistent with Level 3 of the fair value hierarchy.

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 | Nov 30, 2023 | May 31, 2023 |
|---|---|---|---|---|---|
| Financial Assets: | | | | | |
| Cash | $ 12,004 | $ - | $ - | $ 12,004 | $ 189,298 |
| Accounts receivable | 100,679 | - | - | 100,679 | 36,991 |
| Due from related parties | 25,674 | - | - | 25,674 | 122,426 |
| Long term receivables | | - | 427,382 | 427,382 | 374,201 |
| Long term note receivables | - | - | 561,422 | 561,422 | 530,494 |
| Total financial assets | $ 138,358 | $ - | $ 427,382 | $ 565,740 | $ 1,253,410 |
| | | | | | |
| Financial Liabilities: | | | | | |
| Accounts payable and accrued liabilities | $ 91,995 | $ - | $ - | $ 91,995 | $ 155,687 |
| Convertible debentures | - | - | 1,838,232 | 1,838,232 | 1,733,103 |
| Total financial liabilities | $ 91,995 | $ - | $ 1,838,232 | $ 1,930,227 | $ 1,888,790 |

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 period ended November 30, 2023, the Company's revenues and expenses were recorded in Canadian dollars. Management has determined that the Company is not exposed to significant currency risk because most transactions are in Canadian dollars.

*Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risk as the Company's mortgage loan and debentures are all at fixed interest rates.

*Other price risk*

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

## 14. CAPITAL MANAGEMENT

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

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

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

The Company manages capital through its operating and financial budgeting and forecasting processes on a regular basis. The Company reviews its working capital and forecasts its future cash flows, based on actual and forecasted operating results and other investing and financing activities. This information along with possible alternatives are reviewed by management and the Board of Directors of the Company on a regular basis to ensure the best mix of

capital resources meet the Company's needs. The Company makes strategic and financial adjustments according to market conditions in an effort to meet its objectives given the Company's operating and financial performance and the current outlook for the business and for the industry in general.

## 15. SUBSEQUENT EVENT

There were no subsequent events that need disclosure.