ELEMENT LIFESTYLE RETIREMENT INC.

Consolidated Financial Statements

Years Ended May 31, 2025 and 2024

ELEMENT LIFESTYLE RETIREMENT INC.

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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, 2025 and May 31, 2024, and the consolidated statements of loss and comprehensive loss, changes in shareholder's deficit, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material 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, 2025 and May 31, 2024, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board.

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 experienced operating lossess and negative operating cash flow since inception and has no assurance that sufficient financing will be available to continue in operation for the foreseeable future, these conditions, along with other matters as set forth in Note 1, 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the contect of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the Material Uncertainty Related to Going Concern section, we have determined that there are no other key audit matters to communicate in our report.

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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 conclusion 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 or 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 IFRS Accounting Standards as issued by the International Accounting Standards Board 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.

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.

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.

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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Vancouver, British Columbia

MNP LLP

September 24, 2025

Chartered Professional Accountants

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

As at		May 31, 2025		May 31, 2024
ASSETS				
Current				
Cash	$	**42,928**	$	38,704
Accounts receivable and other receivables *(Note 5)*		**43,369**		100,785
Prepaid expenses		**6,716**		9,643
Total current assets		**93,013**		149,132
Long term investment *(Note 7)*		**69**		69
Long term receivables *(Note 5)*		**521,215**		413,613
Long term notes receivable *(Note 6)*		**566,748**		506,026
Property and equipment *(Note 8)*		**16,027**		24,582
Trade marks *(Note 9)*		**27,147**		27,147
Total assets	$	**1,224,219**	$	1,120,569
LIABILITIES				
Current				
Accounts payable and other payables *(Note 10)*	$	**171,583**	$	176,555
Due to related parties *(Note 14)*		**138,343**		62,730
		309,926		239,285
Long term liabilities				
Convertible debentures *(Note 11)*		**2,193,453**		1,949,738
Total liabilities		**2,503,379**		2,189,023
SHAREHOLDERS' DEFICIT				
Share capital *(Note 12)*		**9,166,702**		9,166,702
Share issuance costs		**(260,385)**		(260,385)
Equity component of convertible debentures *(Note 11)*		**473,860**		473,860
Contributed surplus		**1,309,564**		1,309,564
Deficit		**(11,968,901)**		(11,758,195)
Total shareholders' deficit		**(1,279,160)**		(1,068,454)
Total liabilities and shareholders' deficit	$	**1,224,219**	$	1,120,569

Going concern (*Note 1*)
Subsequent event (*Note 18*)

On behalf of the Board

"John H.V. Gilbert" Director

"Michael Diao" Director

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

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

For the years ended	May 31, 2025	May 31, 2024
REVENUE		
Consulting fees (*Note 14*)	$ **600,000**	$ 600,000
Management fees *(Note 14)*	**469,649**	442,057
	1,069,649	1,042,057
EXPENSES		
Accretion expense *(Note 5, 6 and 11)*	**144,960**	280,562
Depreciation (*Note 8*)	**10,635**	10,907
General & administration	**105,840**	107,833
Interest expenses	**158,130**	158,555
Marketing and promotion	**38,096**	27,393
Professional fees	**76,667**	79,610
Salaries, wages and benefits	**660,413**	790,776
Subcontractors	**151,100**	130,000
Travel	**6,547**	15,454
	1,352,388	1,601,090
LOSS FROM OPERATIONS	**(282,739)**	(559,033)
OTHER INCOME		
Interest income *(Note 14)*	**72,033**	80,668
LOSS BEFORE INCOME TAXES	**(210,706)**	(478,365)
LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	$ **(210,706)**	$ (478,365)
Basic and diluted loss per common share	$ **(0.003)**	$ (0.007)
Weighted average number of shares outstanding - basic and diluted	**70,478,300**	70,478,300

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

ELEMENT LIFESTYLE RETIREMENT INC.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIT

(Expressed in Canadian dollars)

	Common shares outstanding	Paid-in capital	Contributed surplus	Equity component of convertible debenture	Share issuance costs	Deficit	Total
Balance, May 31, 2023	70,478,300	$ 9,166,702	$ 1,309,564	$ 473,860	$ (260,385)	$ (11,279,830)	$ (590,089)
Loss and comprehensive loss for the year	-	-	-	-	-	(478,365)	(478,365)
Balance, May 31, 2024	70,478,300	$ 9,166,702	$ 1,309,564	$ 473,860	$ (260,385)	$ (11,758,195)	$ (1,068,454)
Loss and comprehensive loss for the year	-	-	-	-	-	(210,706)	(210,706)
Balance, May 31, 2025	70,478,300	$ 9,166,702	$ 1,309,564	$ 473,860	$ (260,385)	$ (11,968,901)	$ (1,279,160)

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)

For the years ended	May 31, 2025	May 31, 2024
CASH FLOWS USED IN OPERATING ACTIVITIES		
Loss for the year	$ **(210,706)**	$ (478,365)
Items not affecting cash:		
Depreciation *(Note 8)*	**10,635**	10,907
Accretion expense (*Note 5, 6 and 11*)	**144,960**	280,562
Changes in non-cash working capital:		
Accounts receivable and other receivables	**57,416**	(63,794)
Prepaid expenses	**2,927**	139
Long term receivables	**(69,569)**	(78,870)
Accounts payable and other payables	**(4,972)**	8,295
	(69,309)	(321,126)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchase of property and equipment *(Note 8)*	**(2,080)**	(14,623)
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES		
Due from related parties *(Note 14)*	**75,613**	185,155
CHANGE IN CASH DURING THE YEAR	**4,224**	(150,594)
CASH, BEGINNING OF THE YEAR	**38,704**	189,298
CASH, END OF THE YEAR	$ **42,928**	$ 38,704

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") 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.

Going concern

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.

These factors indicate a material uncertainty exists that 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. Such adjustment could be material.

2. STATEMENT OF COMPLIANCE

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

The consolidated financial statements were approved and authorized for issue by the Board of Directors on September 23, 2025.

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, 2025 and have not been early adopted in preparing these consolidated financial statements. A summary of future IFRS amendments is as follows:

a. Change in IFRS effective for the first time

Certain pronouncements have been issued by the IASB that are effective for annual periods beginning on or after June 1, 2024.

In January 2020 and October 2022, the International Accounting Standards Board (IASB) issued amendments to IAS 1 Presentation of Financial Statements which were incorporated into Part I of the CPA Canada Handbook – Accounting in April 2020 and December 2022, respectively. The amendments clarify the requirements for classifying liabilities as either current or non-current. Both the January 2020 and October 2022 amendments are effective for annual reporting periods beginning on or after January 1, 2024.

The Company has assessed the amendments and determined that there is no material impact on the accounting and presentation of the consolidated financial statements.

b) Future accounting pronouncements

Certain pronouncements have been issued by the IASB that are effective for accounting periods beginning on or after June 1, 2025.

Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)

In May 2024, the International Accounting Standards Board (IASB) issued narrow scope amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures. The amendments provide clarification that a financial liability is derecognized on the ‘settlement date’, provide an accounting policy option to derecognize a financial liability that is settled in cash using an electronic payment system before the settlement date if specified criteria are met, clarify how to assess the contractual cash flow characteristics of financial assets with contingent features, clarify that, for a financial asset to have ‘non-recourse’ features, the entity’s ultimate right to receive cash flows must be contractually limited to the cash flows generated by specified assets, Clarify the characteristics of the contractually linked instruments that distinguish them from other transactions, and add new disclosure requirements for investments in equity instruments designated at fair value through other comprehensive income (loss).

IFRS 18 Presentation and Disclosure in Financial Statements

The International Accounting Standards Board (IASB) published IFRS 18 Presentation and Disclosure in Financial Statements in April 2024 and will replace IAS 1. This new standard will help companies to provide information about their financial performance that is useful to users of financial statements in assessing the prospects for future net cash inflows to the company and in assessing management’s stewardship of the company’s economic resources. It represents the completion of a major standard-setting project on the presentation of financial statements and, therefore, will have significant implications for many companies reporting under IFRS. IFRS 18 is effective for annual reporting periods beginning on or after 1 January 2027, and is to be applied retrospectively for comparative periods.

The Company is currently assessing the impact of such pronouncements on its consolidated financial statements.

4. SUMMARY OF MATERIAL ACCOUNTING 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.
- 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 Company. Each entity determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The Company 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.

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 consolidated statements of operations and comprehensive loss.

	Classification
Financial Assets:	
Cash	Amortized cost
Accounts receivable and other receivables	Amortized cost
Due from related parties	Amortized cost
Long term receivables	Amortized cost
Long term notes receivable	Amortized cost
Financial Liabilities:	
Accounts payable and other payables	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, and convertible debentures.

Cash

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

Accounts receivable and other receivables

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

Long term receivables and long term notes receivables

Long term receivables and long term notes receivables are initially recorded at fair value and subsequently measured at fair value with changes in fair value recognized in consolidated statements of operations and comprehensive loss based on discounted cash flows using an effective interest rate.

Accounts payable and other payables

Accounts payable 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.

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

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 assets

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
Trademarks	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; and,

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 when the services have been 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 consolidated 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 recoverability of the accounts receivable and other receivables and note receivable which are recorded in the consolidated statements of financial position.

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

(iii) 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.

(All dollar amounts expressed in Canadian dollars)

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 common 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 years ended May 31, 2025 and 2024 are as follows:

		May 31, 2025		May 31, 2024
Accounts receivable (*Note 14*)	$	**43,369**	$	91,945
Other receivables		**-**		8,840
	$	**43,369**	$	100,785

Long term receivables for the year ended May 31, 2025 and 2024 are as follows:

		May 31, 2025		May 31, 2024
Accounts receivable	$	**245,000**	$	245,000
Interest receivables		**402,667**		330,634
	$	**647,667**	$	575,634

The total long-term receivable balance of $647,667 (2024: $575,634) comprise of balances from Aquara LP. The interest receivable of $402,667 (2024: $330,634) pertains to the total outstanding balance since October 1, 2018 of the note receivable while the accounts receivable $245,000 (2024: $245,000) relates to consulting fees. This balance has been discounted at twelve percent (12%), resulting in a carrying value of $521,215 (2024: $413,613), with $38,033 going through accretion expense. As of May 31, 2025, management has determined that all receivables are collectible and no allowance for doubtful accounts is necessary.

6. LONG TERM NOTES RECEIVABLES

The note receivable of $704,247 (2024: $704,247) is a promissory note from Aquara LP which bears interest at 4% plus RBC prime rate. This balance has been discounted at twelve percent (12%), resulting in a carrying value of $566,748 (2024: $506,026), with $60,722 going through accretion expense.

(All dollar amounts expressed in Canadian dollars)

7. LONG TERM INVESTMENT

	May 31, 2025	May 31, 2024
Long term investment	$ **19**	$ 19
Investment in joint venture	**50**	50
	$ **69**	$ 69

8. PROPERTY AND EQUIPMENT

Property and equipment for the years ended May 31, 2025 and 2024 were as follows:

	Furniture & fixtures	Computer equipment	Computer software	Total
Cost				
May 31, 2023	$ 64,842	$ 84,561	$ 23,559	$ 172,962
Additions	-	12,633	1,990	14,623
May 31, 2024	64,842	97,194	25,549	187,585
Additions	-	-	2,080	2,080
May 31, 2025	64,842	97,194	27,629	189,665
Accumulated amortization				
May 31, 2023	49,225	80,262	22,609	152,096
Additions	3,123	5,839	1,945	10,907
May 31, 2024	52,348	86,101	24,554	163,003
Additions	2,499	6,102	2,034	10,635
May 31, 2025	54,847	92,203	26,588	173,638
Net book value				
May 31, 2024	$ 12,494	$ 11,093	$ 995	$ 24,582
May 31, 2025	$ 9,995	$ 4,991	$ 1,041	$ 16,027

9. TRADE MARKS

As at May 31, 2025, the Company had incurred legal fees of $27,147 (2024: $27,147) regarding three trade marks: Opal Vancouver (formally Opal by Element), Opal Langley (formally Oasis by Element) and Opal Victoria (formally Aquara by Element).

(All dollar amounts expressed in Canadian dollars)

10. ACCOUNTS PAYABLE AND OTHER PAYABLES

		May 31, 2025		May 31, 2024
Accounts payable and accrued liabilities	$	**82,658**	$	86,601
Interest payable		**67,862**		67,862
GST payable		**10,646**		10,160
Salaries and benefits payable		**10,417**		11,932
	$	**171,583**	$	176,555

11. CONVERTIBLE DEBENTURES

The unsecured convertible debentures of $2,259,000 has a maturity date of August 29, 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.

The following table summarizes the Company's convertible debentures as at May 31, 2025 and 2024:

		May 31, 2025		May 31, 2024
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		**606,879**		363,164
Loan portion of convertible loan	**$**	**2,193,453**	$	1,949,738

		May 31, 2025		May 31, 2024
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

During the year ended May 31, 2025, the Company recognized accretion expenses of $243,714 (2024: $216,635).

12. SHARE CAPITAL

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

Issued or allotted and fully paid:

Common shares

As of May 31, 2025 and 2024, 70,478,300 common shares were issued and outstanding at $9,166,702.

(All dollar amounts expressed in Canadian dollars)

13. 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, 2025 and 2024:

	2025	2024
	$	$
Net loss before tax	(210,706)	(478,365)
Statutory tax rate	27.0%	27.0%
Expected income tax (recovery)	(56,891)	(129,159)
Non-deductible (taxable) items and other	6,529	4,456
Provision to return	-	(5,696)
Change in deferred tax assets not recognized	50,362	130,399
Total income tax expense (recovery)	-	-

The deferred tax assets and liabilities are as follows:

Deferred tax assets (liabilities)	2025	2024
	$	$
Non capital loss carry forwards - Canada	25,028	90,831
Convertible debenture	(17,698)	(83,501)
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:

	2025	2024
	$	$
Non capital loss carryforwards - Canada	9,185,220	8,909,500
Net operating loss carry forwards - Hong Kong	29,787	24,661
Share issuance cost	8,415	12,623
Long term receivable	261,488	360,243
Property and equipment	444,496	433,861
Donations	1,000	1,000
Total unrecognized deductible temporary differences	9,930,406	9,741,888

As at May 31, 2025 the Company has not recognized a deferred tax asset in respect of non capital loss carryforwards of approximately$9,185,220 (2024: $8,909,500) 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:

(All dollar amounts expressed in Canadian dollars)

Canada

Expiry	$
2035	-
2036	564,025
2037	1,737,064
2038	840,724
2039	1,350,512
2040	2,140,703
2041	1,143,339
2042	287,111
2043	622,025
2044	246,054
2045	253,663
TOTAL	9,185,220

As at May 31, 2025, the Company has not recognized a deferred tax asset in respect of net operating loss carryforwards of approximately $29,787 (2024: $24,661) 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.

14. RELATED PARTY TRANSACTIONS

During the year ended May 31, 2025, the Company:

(a) Earned management fee revenue of $469,649 (2024: $442,057) from a company controlled by a director;

(b) Earned consulting fee revenue of $600,000 (2024: $600,000) from Aquara Development Corporation;

(c) Accrued interest receivable of $69,571 (2024: $78,870) on the promissory note issued from Aquara LP;

(d) Incurred subcontractor fees $90,000 (2024: $90,000) to a company controlled by a certain officer;

(e) Incurred director fees of $40,000 (2024: $40,000) regarding the Company's independent directors;

(f) Incurred $22,571 of payment (2024: received $36,284 of reimbursement) for expenses on behalf of Aquara Development Corporation;

(g) Paid $8,676 of expenses (2024: received $977 of reimbursement) on behalf of Element Lifestyle (Vic Harbour West) Inc.

(h) Paid $90,707 (2024: $156,758) of expenses on behalf of the companies controlled by a director,

(i) Received payments of $159,145 (2024: $310,109) from the company controlled by a director; and

As at May 31, 2025, $13,754 (May 31, 2024: $22,176) was receivable from a certain director and $705,857 (May 31, 2024: $637,419) was payables to the companies controlled by certain directors.

(All dollar amounts expressed in Canadian dollars)

As at May 31, 2025, $439,356 (May 31, 2024: $469,356) was receivable from Aquara LP for the development costs and fundraising costs paid on behalf of Aquara project and outstanding accounts receivable of $245,000 (May 31, 2024: $245,000). In addition, $704,247 (May 31, 2024: $704,247) of note receivable and $402,667 (May 31, 2024: $330,634) of interest receivable are still outstanding as at May 31, 2025.

As at May 31, 2025, $32,574 (May 31, 2024: $8,363) was receivable from Aquara Development Corporation for the development costs and fundraising costs paid on behalf of Aquara project.

As at May 31, 2025, $81,831 (May 31, 2024: $73,155) was receivable from Element Lifestyle (Vic Harbour West) Inc.

As at May 31, 2025, $43,369 (May 31, 2024: $39,445) was receivable from Opal Development LP.

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.

15. KEY MANAGEMENT COMPENSATION

The compensation paid or payable to key management personnel, including CEO, CFO, VP and VP development, during the years ended May 31, 2025 and 2024 were as follows:

		2025		2024
Salaries and short-term employee benefits	**$**	**354,849**	$	346,858
Subcontractor		**90,000**		90,000
Total	**$**	**444,849**	$	436,858

16. FINANCIAL INSTRUMENTS

Fair value of financial instruments

As at May 31, 2025, 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 notes receivables, accounts payable and other payables except GST payable, and convertible debentures. The carrying value of cash, accounts receivable and other receivable, due from related parties, and accounts payable and other payables approximate their fair values because of their current nature. As at May 31, 2025, the Company's financial instruments are recoded at amortized cost.

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 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, 2025, 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 exposed to interest rate risk as the Company's notes receivable has variable interest rate. Increase or decrease interest rate by 100 basis points will not have significant impact on the Company's consolidated statements of loss and comprehensive loss. Management has determined that the Company is not exposed to significant interest rate risk.

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.

17. 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.

18. SUBSEQUENT EVENT

On August 28, 2025, the unsecured convertible debentures of $2,259,000 which has a maturity date of August 29, 2025 was further extended to August 29, 2028 bearing interest at 7% per annum with a term of three years.