

**ESSTRA INDUSTRIES INC.**  
**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**AUGUST 31, 2017 and 2016**  
**(Unaudited – Prepared by Management)**

**Index**

	Page
<b>FINANCIAL STATEMENTS</b>	
Consolidated Statements of Financial Position	1
Consolidated Statements of Loss and Comprehensive Loss	2
Consolidated Statements of Changes in Shareholders' Equity	3
Consolidated Statements of Cash Flows	4
Notes to the Consolidated Financial Statements	5 - 16

**ESSTRA INDUSTRIES INC.**  
**Condensed Consolidated Interim Statements of Financial Position**  
**August 31, 2017**  
**(Unaudited – Prepared by Management)**

	August 31, 2017	May 31, 2017
<b>ASSETS</b>		
<b>Current</b>		
Cash and equivalents	14,651	49,796
Marketable securities	471,570	420,516
Receivables	50	-
Prepaid expenses	375	375
	486,646	470,687
<b>Property and equipment</b>	319	340
	486,965	471,027
<b>LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	17,810	16,627
GST payable	24,937	24,937
	42,747	41,564
<b>Shareholders' equity</b>		
Retained earnings, per accompanying statement	444,218	429,463
	486,965	471,027

**Nature of operations** (Note 1)

Approved by the Board:

***"Peter G. Dickson"***

---

Director

***"Robert Bruce Keltie"***

---

Director

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

**ESSTRA INDUSTRIES INC.**  
**Condensed Consolidated Interim Statements of Loss and Comprehensive Loss**  
**August 31, 2016**  
**(Unaudited – Prepared by Management)**

	<b>Three Months Ended August 31, 2017</b>	<b>Three Months Ended August 31, 2016</b>
<b>Revenue</b>		
General revenue	\$	
Gain(loss) on sale of marketable securities	<b>(256,315)</b>	(59,596)
Investment income	<b>1,027</b>	1,530
	<b>(255,288)</b>	(58,066)
<b>Expenses</b>		
Depreciation (Note 6)	<b>22</b>	244
Foreign exchange loss (gain)	<b>592</b>	-
Bank charges and interest	<b>108</b>	470
Management fees (Note 10)	-	11,025
Occupancy costs	<b>2,035</b>	1,827
Filing fees and licenses	-	-
Office and administration (Note 10)	<b>5,140</b>	5,075
Transfer agent fees	<b>747</b>	748
Telephone	<b>922</b>	921
	<b>9,566</b>	20,310
<b>Income (loss) before other items</b>	<b>(264,854)</b>	(78,376)
<b>Other items</b>		
Unrealized gain (loss) on valuation of marketable securities held for trading	\$ <b>279,609</b>	116,967
<b>Net and comprehensive gain (loss) for the period</b>	<b>\$ 14,755</b>	38,591
<b>Basic and diluted earnings per common share continuing Operations</b>	<b>\$ 0.004</b>	0.010
<b>Weighted average number of common shares outstanding</b>	<b>4,082,501</b>	4,082,501

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

**ESSTRA INDUSTRIES INC.****Condensed Consolidated Interim Statements of Changes in Shareholders' Equity****August 31, 2017****(Unaudited – Prepared by Management)**

	<b>Number of Shares</b>	<b>Share Capital</b>	<b>Earnings(Deficit)</b>	<b>Total Equity (Deficiency)</b>
<b>Balance, June 1, 2016</b> (Note 7)	<b>4,082,501</b>	<b>\$ -</b>	<b>\$ 750,148</b>	<b>\$ 750,148</b>
Loss and comprehensive loss for the period-Aug 31, 2016	-	-	38,591	38,591
<b>Balance August 31, 2016</b>	<b>4,082,501</b>	<b>\$ -</b>	<b>788,739</b>	<b>788,739</b>

	<b>Number of Shares</b>	<b>Share Capital</b>	<b>Earnings(Deficit)</b>	<b>Total Equity (Deficiency)</b>
<b>Balance, June 1, 2017</b> (Note 7)	<b>4,082,501</b>	<b>\$ -</b>	<b>429,463</b>	<b>429,463</b>
Loss and comprehensive loss for the period-Aug.31,2017	-	-	14,755	14,755
<b>Balance, August 31, 2017</b> (Note 7)	<b>4,082,501</b>	<b>\$ -</b>	<b>444,218</b>	<b>444,218</b>

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

**ESSTRA INDUSTRIES INC.**  
**Condensed Consolidated Interim Statements of Cash Flows**  
**August 31, 2017**  
**(Unaudited – Prepared by Management)**

	<b>Three Months Ended August 31, 2017</b>	<b>Three Months Ended August 31, 2016</b>
<b>Cash flows provided by (used in)</b>		
<b>Operating activities</b>		
Net Income (loss) for the period	\$ 14,755	38,591
Items not involving cash:		
(Gain) loss on sale of marketable securities	256,315	59,596
Return of capital		
Unrealized loss(gain) on valuation of marketable securities	(279,609)	(116,967)
Amortization of assets	22	244
	<u>(8,517)</u>	<u>(18,536)</u>
Changes in non-cash working capital items:		
(increase) decrease in receivables	(50)	-
(increase) decrease in prepaid expenses	-	-
Increase(decrease) in accounts payable & accrued liabilities	1,182	10,481
	<u>1,132</u>	<u>10,481</u>
<b>Investing activities</b>		
Proceeds from sale of marketable securities	85,178	58,054
Acquisition cost of marketable securities	(112,937)	-
	<u>(27,759)</u>	<u>58,054</u>
<b>Change in cash and equivalents during the period</b>	<b>(35,144)</b>	<b>49,999</b>
<b>Cash and equivalents, beginning of the period</b>	<b>49,795</b>	<b>31,456</b>
<b>Cash and equivalents, end of the period</b>	<b>\$ 14,651</b>	<b>81,455</b>
<b>Cash paid during the period for interest</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Cash paid during the period for income taxes</b>	<b>\$ -</b>	<b>\$ -</b>

**Supplemental disclosure with respect to cash flows (Note 9)**

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

## **1. NATURE OF OPERATIONS**

The Company was incorporated on September 6, 1996 under the laws of the Province of Alberta. The Company's operations include investment in marketable securities, real estate ventures, real estate developments, and providing consulting and office services. The Company's registered office is 218 – 10458 Mayfield Road, Edmonton AB, T5P 4P4.

The Company's Board of Directors authorized these consolidated financial statements for issue on October 27, 2017.

## **2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")**

### **Statement of compliance with IFRS**

These financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC).

## **3. SIGNIFICANT ACCOUNTING POLICIES**

### **(a) Principles of consolidation**

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, 412688 B.C. Ltd. The results of each subsidiary will continue to be included in the consolidated financial statements of the Company until the date that the Company's control over the subsidiary ceases. 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. Details of the subsidiaries are as follows:

Inter-company balances and transactions, including unrealized income and expenses arising from intercompany transactions, are eliminated on consolidation.

### **(b) Estimates and judgments**

#### **Estimates**

The preparation of financial statements in conformity with IFRS requires management to make estimates, assumptions and judgments that affect the application of policies and reported amounts of assets and liabilities and disclosures of assets and liabilities at the date of the financial statements, along with reported amounts of revenue, expenses and net income (loss) for the period.

Significant areas requiring the use of management estimates and assumptions relate to the recoverability of receivables and notes receivable. Actual results could differ from those estimates.

#### **Judgments**

Judgments made in preparing the financial statements involve the Company's designation of its marketable securities as, held for trading in the consolidated financial statements.

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(c) Basis of measurement**

The consolidated financial statements have been prepared on a historical cost basis, except for available-for-sale financial instruments, which are measured at fair value. The financial statements are presented in Canadian dollars, which is both the Company's functional and presentation currency. The statements are rounded to the nearest dollar.

**(d) Cash and cash equivalents**

Cash and cash equivalents include highly liquid investments with original maturities of three months or less.

**(e) Marketable securities**

Marketable securities are classified as held for trading as they are part of a portfolio managed by the Company, and the income earned thereon represents the Company's primary business. The marketable securities are initially recorded at their fair market value. They are subsequently measured at their fair market value, with gains or losses recognized in the income statement.

**(f) Property and equipment**

Property and equipment are recorded at cost less accumulated amortization. Amortization is provided using the declining balance method at the following annual

Automobiles	-	30%
Computer equipment	-	25%

**(g) Revenue recognition**

Revenues are recognized on the following bases:

- i) Interest income is recorded on an accrual basis at the stated interest rate over the term of the related instrument;
- ii) Revenue from management and administration is recognized upon completion of the service, and when collectability is reasonably assured. Fees received in advance of services provided are recorded as deferred revenue;
- iii) Realized gains on investments are recorded upon disposal of the investment; and
- iv) Unrealized gains and losses arising from market prices in effect at the balance sheet date for held-for-trading investments are recorded at the balance sheet date.

**(h) Earnings (loss) per share**

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on earnings (loss) per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year. For the years presented, there was no potential outstanding dilutive effect on earnings (loss) per share since there were no options, warrants or similar instruments.

Basic earnings (loss) per share are calculated using the weighted-average number of common shares outstanding during the year.

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(i) Income taxes**

The income tax expense for the period comprises current and deferred tax. Income tax is recognized in profit or loss, except to the extent that it relates to items recognized directly in equity. In this case the tax is also recognized directly in equity.

Current income tax

Current income tax is the expected tax payable on the taxable income for the period, using tax enacted or substantively enacted at period end, adjusted for amendments to tax payable regards to previous years.

Deferred income tax

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted on the statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Changes in deferred tax assets or liabilities are recognized as a component of tax income or tax expense in the statement of equity in which case the related deferred tax is also recognized in equity in which case the related deferred tax is also recognized in equity, respectively.

**(j) Stock-based compensation**

The share option plan allows employees and consultants to acquire shares of the Company. The fair value of the options is measured at grant date and each tranche is recognized on a graded vesting basis. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

**3. SIGNIFICANT ACCOUNTING POLICIES** (continued)

**(k) Financial Instruments**

Financial instruments are defined as any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Company recognizes financial assets and financial liabilities when it becomes a party to the contractual provisions of the instrument.

Financial assets are classified into the following categories at their initial recognition:

- Financial assets at fair value through profit or loss;
- held-to-maturity investments;
- loans and receivables; and
- available-for-sale investments.

Financial liabilities are classified into the following categories at their initial recognition:

- Financial liabilities at fair value through profit or loss; and
- Financial liabilities measured at amortized cost.

Financial assets and liabilities are initially measured at fair value, plus, in the case of a financial asset or liability not at fair value through profit or loss, transactions costs directly attributable to the acquisition or issuance of the financial asset or liability. In a purchase or sale of financial assets recognition and de-recognition occurs using trade date accounting.

Financial assets are subsequently measured after initial recognition at fair value, except for financial assets classified as held-to-maturity investments or loans and receivables, which are subsequently measured at amortized cost using the effective interest method.

Financial liabilities at fair value through profit or loss are subsequently measured after recognition at fair value. All other financial liabilities are subsequently measured at amortized cost using the effective interest method.

Financial assets are derecognized when:

- the contractual rights to the cash flows from the financial asset expire;
- the contractual rights to the cash flows from the financial asset are retained, but a contractual obligation to pay the cash flows to another party without material delay is assumed by the Company; or
- when the Company transfer substantially all the risk and rewards of ownership of the financial asset.

Financial liabilities are derecognized when the obligations are discharged, cancelled or expire.

The carrying amount of financial assets is reduced by impairment loss directly for all financial assets with the exception of financial assets classified as loans and receivables, where the carrying amount is reduced through the use of an allowance account. When these assets are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(k) Financial instruments (continued)**

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment loss been recognized.

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels: Level 1 – valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 – valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and Level 3 – valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At the end of each reporting period, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. Where such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of an asset's fair value less cost to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of loss and comprehensive loss.

The Company has made the following classifications:

- Cash and cash equivalents and marketable securities are classified as fair value through profit or loss.
- Receivables and notes receivable are classified as loans and receivables.
- Accounts payable and accrued liabilities and due to related parties have been classified as liabilities measured at amortized cost.

#### **4. RECENT ACCOUNTING PRONOUNCEMENTS**

*Standards, amendments and interpretations not yet effective*

The IASB and IFRS Interpretations Committee have issued pronouncements that are mandatory for accounting periods beginning on or after June 1, 2017. Of these, the following pronouncements are relevant to the Company's consolidated financial statements:

**(a) IAS 7, Disclosure Initiative (Amendments to IAS 7 Statement of Cash Flows)**

These amendments require that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes. One way to fulfill the new disclosure requirement is to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. Finally, the amendments state that changes in liabilities arising from financing activities must be disclosed separately from changes in other assets and liabilities. These amendments are effective for reporting periods beginning on or after January 1, 2017.

**(b) IFRS 9 – Financial Instruments**

In July 2014, the IASB published IFRS 9 which replaces IAS 39 *Financial Instruments: Recognition and Measurement* (IAS 39). IFRS 9 introduces improvements which include a logical model for classification and measurement of financial assets, a single, forward-looking "expected loss" impairment model and substantially-reformed approach to hedge accounting. IFRS 9 is effective for annual reporting periods beginning on or after January 1<sup>st</sup>, 2018. Earlier application is permitted. The corporation has yet to assess the impact of this new standard on its financial statements.

**(c) IFRS 16, Leases**

On January 13, 2016, the IASB published a new standard, IFRS 16, Leases. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Under the new standard, a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly. The liability accrues interest. This will typically produce a front-loaded expense profile (whereas operating leases under IAS 17 would typically have had straight-line expenses). The standard is effective for annual periods beginning after December 15, 2019 (i.e., calendar periods beginning on January 1, 2020), and interim periods thereafter. Early adoption is permitted.

**ESSTRA INDUSTRIES INC.**  
**Notes to the Consolidated Financial Statements**  
**August 31, 2017**  
**(Expressed in Canadian dollars)**

**5. MARKETABLE SECURITIES**

	Carrying Value May 31, 2017	Additions (Disposition)	Unrealized Gain (Loss)	Fair Value Aug. 31, 2017	Fair Value May 31, 2017
Held for trading	\$ 420,516	\$ (228,555)	\$ 279,609	\$ 471,570	\$ 420,516

The average cost of the marketable securities at Aug. 31, 2017 was \$2,233,432 (May 31, 2016: 2,461,987).

**6. PROPERTY AND EQUIPMENT**

	Computer Equipment	Automobile	Total
<b>Cost</b>			
<b>At June 1, 2015</b>	\$ 21,207	\$ 28,662	\$ 49,869
Additions	-	-	-
Disposals	-	-	-
<b>At May 31, 2016</b>	<b>21,207</b>	<b>28,662</b>	<b>49,869</b>
Additions	-	-	-
Disposals	-	(28,662)	(28,662)
<b>At May 31, 2017</b>	<b>21,207</b>	<b>-</b>	<b>21,207</b>
<b>Accumulated Depreciation</b>			
<b>At June 1, 2015</b>	\$ 20,601	24,567	\$ 45,168
Additions	-	-	-
Disposals	-	-	-
Depreciation expense	153	1,228	1,381
<b>At May 31, 2016</b>	<b>20,754</b>	<b>25,795</b>	<b>46,549</b>
Additions	-	-	-
Disposals	-	(26,082)	(26,082)
Depreciation expense-year end	113	287	400
<b>Depreciation – August 2017</b>	<b>22</b>	<b>-</b>	<b>22</b>
<b>At August 31, 2017</b>	<b>\$ 20,889</b>	<b>(25,795)</b>	<b>20,889</b>
<b>Net book value</b>			
At May 31, 2016	\$ 453	2,867	3,320
At May 31, 2017	\$ 340	-	340
<b>At August 31, 2017</b>	<b>318</b>	<b>-</b>	<b>318</b>

7. SHARE CAPITAL AND CONTRIBUTED SURPLUS

	Number of Shares	Share Amount	Contributed Surplus
Authorized:			
Unlimited number of common shares			
Unlimited number of Class I preferred voting shares			
Unlimited number of Class II preferred non- voting shares			
Unlimited number of Class III preferred voting shares			
Common shares issued:			
<b>Balance, August 31, 2017 and May 31, 2017</b>	<b>4,082,501</b>	<b>\$ -</b>	<b>\$ -</b>

On May 27, 1997, the Company was reorganized pursuant to a statutory plan of arrangement. As a result, capital stock resulted in a \$Nil value and contributed surplus resulted in a value of \$13,000.

During the year ended May 31, 2005, the Company cancelled 417,000 common shares which had a carrying value of \$176,366. An amount of \$13,000 was charged to contributed surplus and the remainder of \$163,366 to retained earnings.

**Stock option plan**

The Company has in place a “rolling” stock option plan whereby the Company is authorized to grant stock options of up to 10% of its issued and outstanding shares, from time to time. As at August 31, 2017, the Company is eligible to grant up to 408,250 options under its plan. The term of any options granted will be fixed by the Board of Directors as permitted by the Regulatory authorities. No vesting requirements will apply to the options granted, however a four month hold period will apply to all shares issued each option, commencing from the date of the grant.

There are presently no options outstanding under the plan.

**ESSTRA INDUSTRIES INC.**  
**Notes to the Consolidated Financial Statements**  
**August 31, 2017**  
**(Expressed in Canadian dollars)**

**8. INCOME TAXES**

A reconciliation of income taxes at statutory rates with the reported tax rates is as follows:

	2017	2016
Loss before income taxes	\$ (320,684)	\$ (126,614)
Expected income tax recoveries	\$ (83,378)	\$ (33,121)
Non-deductible expenses	-	309
Marketable securities	(103,664)	3,668
Property and equipment	2,664	(705)
	(184,378)	(29,849)
Changes in unrecognized deferred tax assets	184,378	29,849
Income tax expense (recovery)	\$ -	\$ -

The significant components of the Company's deferred income tax assets and liabilities are as follows:

	2017	2016
Non-capital losses	\$ 711,569	\$ 499,432
Marketable securities valuation adjustments	529,511	984,602
Property and equipment	(64)	249
Deferred costs	7,493	7,733
Unrecognized deferred income for tax asset	1,248,509	1,492,016

Deferred income tax assets in respect of losses and other temporary differences are recognized when it is not probable that they will be recovered against profits in future periods. No deferred income tax assets have been recognized as this criterion has not been met.

As at May 31, 2017, the Company has non-capital losses totaling approximately \$2,570,599 that will expire commencing in 2026 to 2037.

2026	\$ 85,450
2027	71,987
2028	4,340
2029	254,556
2030	146,448
2031	11,904
2032	312,885
2033	354,746
2034	243,561
2035	261,578
2036	114,013
2037	709,131
	\$ <u>2,570,599</u>

**ESSTRA INDUSTRIES INC.**  
**Notes to the Consolidated Financial Statements**  
**August 31, 2017**  
**(Expressed in Canadian dollars)**

---

**9. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

There were no significant non-cash transactions for the quarters ended August 31, 2017 and 2016.

**10. RELATED PARTY TRANSACTIONS**

The Company had the following balances owing from (to) directors, officers or companies in which directors or officers have an interest.

	<b>Aug 31, 2017</b>	<b>May 31, 2017</b>
Accounts payable and accrued liabilities	<b>(8,788)</b>	(6,901)

The balances owing to and from related parties as at August 31, 2017 and May 31, 2017 are comprised as follows:

- \$NIL owed to 801546 Alberta Ltd. (May 31, 2017: \$ NIL), a company controlled by Peter Dickson, a Director of Esstra.
- \$ 8,788 owed to Peter Dickson (May 31, 2017: \$6,901), a Director of Esstra.

These balances are unsecured and non-interest bearing.

During the year, the Company included in its statement of operations the following transactions with directors, officers or companies in which the directors or officers have an interest.

	<b>Aug 31, 2017</b>	<b>Aug 31, 2016</b>
Office services revenue	\$ -	\$ -
Management fee expense	-	11,025
Office and administration	<b>5,025</b>	5,025

The detail of these transactions for the quarter ended August 31, 2017 is as follows:

- \$ NIL in management fees. (Aug 31, 2016: \$5,513) paid to 801546 Alberta Ltd., a company controlled by Peter Dickson, a Director of Esstra.
- \$ NIL in management fees (Aug 31, 2016: \$5,512), paid to Peter Dickson, a Director of Esstra.
- \$5,025 in office and administration fees (Aug. 31, 2016: \$5,025) paid to Sharon Lewis, the CFO of Esstra.

## **11. FINANCIAL INSTRUMENTS AND CAPITAL DISCLOSURES**

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

At August 31, 2017, the carrying and fair value amounts of the Company's financial instruments related to cash and equivalents, marketable securities, notes receivable, accounts receivable, accounts payable and accrued liabilities are the same due to their short terms to maturity.

The Company has estimated the fair value of its financial instruments as follows:

- i) The carrying value of cash and cash equivalents, amounts receivable, notes receivable, and accounts payable approximate their fair values due to the short-term nature of these instruments.
- ii) Marketable securities are carried at amounts in accordance with the Company's accounting policy as set out above in Note 3.

The actual results may differ from those estimates and the use of different assumption or methodologies may have material effects on the estimated fair value amounts.

The following illustrates the classification of the Company's financial instruments, measured at fair value on the balance sheet as at August 31, 2017, categorized into levels of the fair value hierarchy.

The level within which the financial asset or liability is classified is determined based on the lowest level if significant input to the fair value measurement. Marketable securities in quoted companies measured at fair value in the statement of financial position as at August 31, 2017 and 2016 are classified in Level 1. There have been no significant transfers between Levels in the reporting period.

The Company's risk management activities include the preservation of its capital by minimizing risk related to its cash. The Company does not trade financial instruments for speculative purposes. The Company does not have a risk management committee or written risk management policies. The Company's financial instruments are exposed to the risks described below:

### **(a) Fair value**

The carrying values of cash, marketable securities, receivables, notes receivable and accounts payable and accrued liabilities approximate their fair values due to the short-term nature if these consolidated financial statements. Cash and marketable securities are measured using a level 1 fair value measurement.

### **(b) Concentration of credit risks**

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and notes receivable. The Company maintains cash in bank deposit accounts, which, at times, may exceed federally insured limits. As with any lending activity there is credit risk involved. The Company believes that risk to the notes receivable is minimal and should default take place that the Company believes it has adequate security.

### **(c) Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has in place a planning and budgeting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis and its planned capital expenditures. The Company ensures that there is sufficient working capital to fund its ongoing operating expenditures. At August 31, 2017, the Company had a working capital surplus of 443,899 (May 31, 2017: \$ 429,123).

**(d) Market risk**

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and equity price.

i) 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 short term interest rates through the interest earned on cash balances and interest charged on bank indebtedness. The Company has cash balance and no interest-bearing debt. The Company's current policy is to invest excess cash in short-term deposits with its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

ii) Price risk

The Company is exposed to risk of equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The movements of equity price of the shares of the Company may have an impact on the degree of dilution of the existing shareholders' interest in the Company when a new business opportunity is acquired.

**(e) Sensitivity analysis**

The Company has designated its cash as held-for-trading, which is measured at fair value. Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over the financial period ended August 31, 2017. Cash is subject to floating interest rates. Sensitivity to a plus or minus 1% change in rates would not have any effect on the net loss for the quarter ended August 31, 2017.

**12. CAPITAL MANAGEMENT**

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to meet its daily operating expenses. The Company may raise additional capital for additional cash required. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to identify and acquire new investment or business opportunity.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the quarter ended August 31, 2017. The Company is not subject to externally imposed capital requirements.

**13. SEGMENTED INFORMATION**

The Company operates in the investment sector primarily in Canada.