

**ESSTRA INDUSTRIES INC.**

***Management Discussion & Analysis  
For the Year Ended May 31, 2017***

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## **ESSTRA INDUSTRIES INC.**

### **MANAGEMENT DISCUSSION & ANALYSIS (“MD&A”)**

For the year ended May 31, 2017

The following discussion and analysis of the operations, results, and financial position of Esstra Industries Inc. (“the Company”) prepared as of September 27, 2017 should be read in conjunction with the Company’s consolidated audited financial statements and notes attached thereto. The MD&A for the year ended May 31, 2017 reflects the Company’s adoption of International Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The effective date of this report is September 27, 2017. All figures are presented in Canadian dollars, unless otherwise indicated.

#### **OUR BUSINESS**

Esstra Industries Inc. (the “Company” or “Esstra”) is listed on the TSX Venture Exchange (“TSX-V”) under the symbol “ESS”. The Company was incorporated on September 6, 1996 under the laws of the Province of Alberta.

The Company’s business and executive offices are located at 218 – 10458 Mayfield Road, Edmonton, Alberta. Its registered and records offices are located at the offices of McLennan Ross, Barristers & Solicitors, 600 West Chambers, 12220 Stony Plain Road, Edmonton, Alberta T5J 3L2.

The Company is in the business of managing a portfolio of investments and earning income from these investments.

#### **OVERALL PERFORMANCE**

The Company’s operations include investment in marketable securities, real estate ventures, real estate development, and providing consulting and office services.

Under the Company’s real estate development, the Company is reviewing development projects in the Vancouver area.

During the year ended May 31, 2017, there was a gain in the stock market which affected the value of the Company’s marketable securities. The Company took an unrealized gain on valuation of marketable securities of \$398,592 during this period.

In addition, the decrease in the Canadian dollar versus the US dollar has negatively impacted the value of the Company’s US stock holdings. The Company presently holds approximately \$15,189 in US dollar investments.

#### **INTERNATIONAL FINANCIAL REPORTING STANDARDS (“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”).

## **SELECTED ANNUAL INFORMATION**

The following table sets forth selected audited financial information of the Company for the last three completed financial years:

	<b>FISCAL YEARS ENDED</b>		
	<b>May 31, 2017</b>	<b>May 31, 2016</b>	<b>May 31, 2015</b>
Total Revenues	(629,151)	7,143	(60,268)
Net Income (Loss)	(320,685)	(126,614)	(363,148)
Gain (Loss) Per Share	(0.08)	(0.03)	(0.09)
Total Assets	471,027	1,320,269	1,352,053

## **RESULTS OF OPERATIONS**

### *For the year ended May 31, 2017 compared to the year ended May 31, 2016*

Total revenues decreased to a loss of \$629,151 in the most recent fiscal year from a gain of \$7,143 in 2016.

The loss in 2017 is due to the following:

- In 2017 there was a realized (loss) of \$(647,169) on the sale of marketable securities, compared to the 2016 realized (loss) of \$(86) on the sale of marketable securities.
- Offsetting this (decrease) increase were the following:
  - In 2017 there was \$27,563 of management fees charged compared to \$44,425 in 2016.
  - In 2017 there was \$8,594 in occupancy costs compared to \$7,308 in 2016.
  - In 2016 there was \$24,547 in office and administration compared to \$27,141 in 2016.

Total expenses for 2017 were \$90,126, compared to \$119,661 in 2016 – a decrease of \$29,535 due to the reduction in management fees and office and administration.

Other items show an unrealized gain on valuation of marketable securities held for trading of \$398,592 during 2017 compared to an unrealized loss of \$(14,096) in 2016.

## **SUMMARY OF QUARTERLY RESULTS**

The following table sets forth selected unaudited quarterly financial information for each of the last eight most recently completed quarters:

	<b>QUARTERS ENDED</b>			
	<b>May 31, 2017</b>	<b>February 28, 2017</b>	<b>November 30, 2016</b>	<b>August 31, 2016</b>
<b>Total revenues</b>	(372,543)	(336,003)	119,442	(58,065)
(Loss) Gain for the period	35,376	(415,625)	20,974	38,590
(Loss) Per Share <sup>(1)</sup>	0.01	(0.102)	0.01	0.01
	<b>May 31, 2016</b>	<b>February 29, 2016</b>	<b>November 30, 2015</b>	<b>August 31, 2015</b>
<b>Total revenues</b>	1,458	1,728	1,900	2,057
(Loss) Gain for the period	90,160	(18,582)	(94,261)	(103,931)
(Loss) Per Share <sup>(1)</sup>	0.00	(0.005)	(0.02)	(0.03)

(1) Presented on an undiluted basis.

## **RESULTS OF OPERATIONS**

For quarter ended May 31, 2017 (“Q4 2017”) compared to quarter ended May 31, 2016 (“Q4 2016”).

Total revenues for the quarter ended May 31, 2017 were \$(372,543), compared to \$1,458 for the quarter ended May 31, 2016, a decrease of \$374,001.

Net gain for the quarter totalled \$35,376 or \$0.01 per share, versus a gain of \$90,160 or \$0.00 per share for the three months ended May 31, 2016. This was primarily due to the sale of marketable securities during the quarter ended May 31, 2017. Under IAS 39, marketable securities designated as held for trading are measured at their fair market value at each reporting date, with the resulting change in fair market value charged to the statement of operations.

## **LIQUIDITY**

During the three-month period ended May 31, 2017, cash resources increased by \$47,836. Working capital items decreased during the quarter by \$227,201 mainly due to the decrease in marketable securities and current liabilities decreased by \$523,021, leaving \$41,564 of current liabilities on the balance sheet at the quarter-end. Shareholders’ equity for the quarter ended May 31, 2017 was \$429,463 compared to \$750,148 at May 31, 2016. Working capital totalled \$429,123 at May 31, 2017 down from \$746,828 at May 31, 2016. As at May 31, 2017, the Company has current assets of \$470,687 which are sufficient to meet its accounts payable and accrued liabilities of \$41,564 as at the same date.

Please refer to the “Financial Instruments” section of the MD&A for the liquidity risks associated with the Company’s financial instruments.

## **CAPITAL RESOURCES**

The Company has sufficient working capital to continue operating for several months. General market conditions will have an impact on its ability to raise financings in the future. The Company has sufficient working capital on hand to meet any of its on-going obligations.

## **OFF-BALANCE SHEET ARRANGEMENTS**

The Company has no off-balance sheet arrangements as at May 31, 2017 and 2016.

## **TRANSACTIONS WITH RELATED PARTIES**

During the year ended May 31, 2017, the Company had the following balances owing from (to) directors, officers or companies in which directors or officers have an interest.

	<b>May 31, 2017</b>	May 31, 2016
Accounts payable and accrued liabilities	<b>(6,901)</b>	(535,677)

The balances owing to and from related parties as at May 31, 2017 and May 31, 2016 are comprised as follows:

- \$nil owing from 801546 Alberta Ltd. (May 31, 2016: \$185,175), a company controlled by Peter Dickson, a Director of Esstra.
- \$6,901 owed to Peter Dickson (May 31, 2016: \$350,502), a Director of Esstra. During the year the Director transferred marketable securities at the fair value of \$139,132, and purchased the automobile for the fair value of \$14,000. This was included in the repayment of the debt.

These balances are unsecured and non-interest bearing.

During the year ended May 31, 2017, 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>May 31, 2017</b>	May 31, 2016
Management fee expense	<b>\$ 27,563</b>	\$ 44,425
Office and administration	<b>20,100</b>	20,100

The detail of these transactions for the year ended May 31, 2017 and May 31, 2016 are comprised as follows:

- \$16,538 in management fees (May 31, 2016: \$22,375) paid to 801546 Alberta Ltd., a company controlled by Peter Dickson, a Director of Esstra.
- \$11,025 in management fees (May 31, 2016: \$22,050) paid to Peter Dickson, a Director of Esstra.
- \$20,100 in office and administration fees (May 31, 2016: \$20,100) paid to Sharon Lewis, the CFO of Esstra.

## **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 amortised 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.

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 amortised cost.

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

At May 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.

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

	<b>Level 1</b> (Quoted Market Price)	<b>Level 2</b> (Valuation- technique- observable market inputs)	<b>Level 3</b> (Valuation technique-non- observable market inputs)
Cash	\$ 49,796	\$ -	\$ -
Marketable securities	\$ 420,516	\$ -	\$ -
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 16,627

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) Concentration of credit risk

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.

(b) 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 on-going basis and its planned capital expenditures. The Company ensures that there is sufficient working capital to fund its on-going operating expenditures. At May 31, 2017, the Company had a working capital surplus of \$429,123 (May 31, 2016 - \$746,828).

(c) 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.

(d) 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 year ended May 31, 2016. 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 period ended May 31, 2017.

(e) 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 on-going 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 year ended May 31, 2017. The Company is not subject to externally imposed capital requirements.

## **CRITICAL ACCOUNTING ESTIMATES**

### **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, "available-for-sale through profit or loss" in the consolidated financial statements.

## **RECENT ACCOUNTING PRONONOUNCEMENTS**

### *Standards, amendments and interpretations not yet effective*

The IASB and IFRS and Interpretations Committee have issued pronouncements that are mandatory for accounting periods beginning on or after May 1, 2015. 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 fulfil 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.

**SHARE DATA**

The Company is traded on the TSX Venture Exchange (“Exchange”) under the symbol ESS. The share capital of the Company consists of an unlimited number of common shares without par value of which 4,082,501 are issued and outstanding.

The Company has no stock options or warrants outstanding.

**OTHER**

Additional information about Esstra, including our continuous disclosure materials such as our annual and quarterly financial statements is available through the SEDAR website at [www.sedar.ca](http://www.sedar.ca).

**Cautionary Statement on Forward Looking Information**

**This Report contains “forward looking statements”. These forward looking statements include, but are not limited to, statements regarding the Company’s strategic plans, property search and evaluation plans, estimated levels of expenditures, acquisition targets and commitments. Forward-looking statements express, as at the date of this Report, The Company’s plans, estimates, forecasts, projections, or beliefs as to future events or results and the Company does not intend, and does not assume any obligation, to update these forward-looking statements. In certain cases, forward-looking statements can be identified by the use of words such as “plans”, “expects”, or does not expect”, is expected”, “budget”, “schedule”, “estimates”, “intends”, “anticipates”, or “does not anticipate”, “believes”, or variations of such words and phrases or statements that certain actions, events or results “may”, “could”, “would”, “might”, or “will be taken, “occur”, or “be achieved”. We caution that forward-looking statements involve a number of risks and uncertainties, and there can be no assurance that such statements will prove to be accurate. Therefore, actual results and future events may differ materially from those anticipated in such statements. Factors that could cause results or events to differ materially from current expectations expressed or implied by the**

**forward – looking statements include, but are not limited to the success of the Company’s acquisition criteria, the success in completing further financing and closing on any target acquisitions, currency fluctuations, the ability of the Company to conduct its business in the Territory, risks inherent with the mining industry, unexpected regulatory changes, delays in the completion of critical activities and other risks inherent to the Company’s activities.**