

ESSTRA INDUSTRIES INC.

Management Discussion & Analysis For the Year Ended May 31, 2018

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ESSTRA INDUSTRIES INC.

MANAGEMENT DISCUSSION & ANALYSIS (“MD&A”)

For the year ended May 31, 2018

The following discussion and analysis of the operations, results, and financial position of Esstra Industries Inc. (“the Company”) for the year ended May 31, 2018 and 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, 2018 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, 2018. 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 Suite 404 – 999 Canada Place, Vancouver, BC. Its registered and records offices are located at the offices of Gordon J. Fretwell Law Corp., 1400 – 1040 West Georgia Street, Vancouver, BC V6E 4H1

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, 2018, there was a loss in the stock market which affected the value of the company’s marketable securities. The Company took a realized loss on valuation of marketable securities of \$276,216 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 has cash and cash equivalents of \$111,585.

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:

	FISCAL YEARS ENDED		
	May 31, 2018	May 31, 2017	May 31, 2016
Total Revenues	(273,260)	(629,151)	7,143
Net Income (Loss)	(58,437)	(320,685)	(126,614)
Gain (Loss) Per Share	(0.01)	(0.08)	(0.03)
Total Assets	383,745	471,027	1,320,269

RESULTS OF OPERATIONS

For the year ended May 31, 2018 compared to the year ended May 31, 2017

Total revenues decreased to a loss of \$273,260 in the most recent fiscal year from a loss of \$629,151 in 2017.

The loss in 2018 is due to the following:

- In 2018 there was a realized (loss) of \$(276,216) on the sale of marketable securities, compared to the 2017 realized (loss) of \$(647,169) on the sale of marketable securities.
- Offsetting this (decrease) increase were the following:
 - In 2018 there was a recovery of \$3,675 in management fees compared to fees charged of \$27,563 in 2017.
 - In 2018 there was \$8,244 in occupancy costs compared to \$8,594 in 2017.
 - In 2018 there was \$23,670 in office and administration compared to \$24,547 in 2017.

Total expenses for 2018 were \$52,515, compared to \$90,126 in 2017 – a decrease of \$37,611 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 \$267,338 during 2018 compared to an unrealized gain of \$398,592 in 2017.

SUMMARY OF QUARTERLY RESULTS

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

	QUARTERS ENDED			
	May 31, 2018	February 28, 2018	November 30, 2017	August 31, 2017
Total revenues	(28,959)	(12,681)	20,712	(255,288)
(Loss) Gain for the period	(29,958)	(46,088)	2,854	14,755
(Loss) Per Share ⁽¹⁾	(0.01)	(0.011)	0.00	0.00
	May 31, 2017	February 29, 2017	November 30, 2016	August 31, 2016
Total revenues	(372,543)	(336,003)	119,442	(58,066)
(Loss) Gain for the period	35,376	20,974	20,974	38,591
(Loss) Per Share ⁽¹⁾	0.01	0.01	0.01	0.01

(1) Presented on an undiluted basis.

RESULTS OF OPERATIONS

For quarter ended May 31, 2018 (“Q4 2018”) compared to quarter ended May 31, 2017 (“Q4 2017”).

Total revenues for the quarter ended May 31, 2018 were \$(28,959), compared to \$(372,543) for the quarter ended May 31, 2017, an increase of \$343,584.

Net loss for the quarter ended May 31, 2018 totalled \$29,958 or \$0.01 per share, versus a gain of \$35,376 or \$0.01 per share for the three months ended May 31, 2017. This was primarily due to the sale of marketable securities during the quarter ended May 31, 2018. 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, 2018, cash resources increased by \$70,889. Working capital items decreased during the quarter by \$29,937 mainly due to the decrease in marketable securities and current liabilities, leaving \$12,719 of current liabilities on the balance sheet at the quarter-end. Shareholders’ equity for the quarter ended May 31, 2018 was \$371,026 compared to \$429,463 at May 31, 2017. Working capital totalled \$370,771 at May 31, 2018 down from \$429,123 at May 31, 2017. As at May 31, 2018, the Company has current assets of \$383,745 which are sufficient to meet its accounts payable and accrued liabilities of \$12,719 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, 2018 and 2017.

TRANSACTIONS WITH RELATED PARTIES

During the year ended May 31, 2018, the Company had the following balances owing from (to) directors, officers or companies in which directors or officers have an interest.

	May 31, 2018	May, 2017
Accounts payable and accrued liabilities	\$ (3,697)	\$ (6,901)

The balances owing to and from related parties as at May 31, 2018 are comprised as follows:

- \$3,697 owed to Peter Dickson (May 31, 2017: \$6,901), a Director of Esstra. These balances are unsecured and non-interest bearing.

During the year ended May 31, 2018, 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.

	May 31, 2018	May 31, 2017
Management fee expense	\$ (3,675)	\$ 27,563
Office and administration	20,100	20,100

The detail of these transactions for the year ended May 31, 2018 and May 31, 2017 are comprised as follows:

- \$ (3,675) in management fees (May 31, 2017: \$16,538) paid or recovered to/from 801546 Alberta Ltd., a company controlled by Peter Dickson, a Director of Esstra.
- \$Nil in management fees (May 31, 2017: \$11,025) paid to Peter Dickson, a Director of Esstra.
- \$20,100 in office and administration fees (May 31, 2017: \$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 de-recognized 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, 2018, 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:

- 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.
- 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, 2018, categorized into levels of the fair value hierarchy.

	Level 1 (Quoted Market Price)	Level 2 (Valuation- technique- observable market inputs)	Level 3 (Valuation- technique-non- observable market inputs)
Cash and cash equivalents	\$ 111,585	\$ -	\$ -
Marketable securities	\$ 271,530	\$ -	\$ -
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 12,719

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, 2018, the Company had a working capital surplus of \$370,771 (May 31, 2017 - \$429,123).

(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, 2018. 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, 2018.

(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, 2018. 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 June 1, 2018. Of these, the following pronouncements are relevant to the Company's consolidated financial statements:

(a) 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 1st, 2018. Earlier application is permitted. The corporation has yet to assess the impact of this new standard on its financial statements.

(b) 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

On July 20, 2018, the Company announced, subject to the approval of the TSX Exchange, to undertake a non-brokerage private placement of 2,550,000 units at a price of \$0.10 per unit for gross proceeds of \$225,000. Each unit will be comprised of one common share and one transferrable common share purchase warrant, each warrant being exercisable to purchase one common share at the price of \$ 0.10 per share, within 60 months of the date of issuance. All securities to be issued under this private placement will be subject to a four month resale restrictions.

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.

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.