

# **ESSTRA INDUSTRIES INC.**

## **CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

(Unaudited)

**Six Month Period Ended**

**November 30, 2019**

**NOTICE OF NO AUDITOR REVIEW OF  
CONDENSED INTERIM FINANCIAL STATEMENTS**

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements. The accompanying condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

**ESSTRA INDUSTRIES INC.**

Condensed Interim Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

(Unaudited)

	<b>November 30, 2019</b>	<b>May 31, 2019</b>
	(\$)	(\$)
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	246,592	336,612
Marketable securities (Note 4)	152,923	119,234
Prepays	375	375
	399,890	456,221
<b>Equipment</b> (Note 5)	-	192
	399,890	456,413
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 6)	8,541	20,496
<b>Shareholders' equity</b>		
Share capital (Note 7)	262,000	262,000
Retained earnings	129,349	173,917
	391,349	435,917
	399,890	456,413

**Nature of operations** (Note 1)

On behalf of the Board of Directors:

"Peter G. Dickson" Director"David Atkinson" Director*The accompanying notes are an integral part of these condensed interim consolidated financial statements.*

**ESSTRA INDUSTRIES INC.**

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

(Unaudited)

	<b>Three Month Period Ended November 30, 2019</b>	<b>Three Month Period Ended November 30, 2018</b>	<b>Six Month Period Ended November 30, 2019</b>	<b>Six Month Period Ended November 30, 2018</b>
	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>
<b>Revenue</b>				
Gain (loss) on sale of marketable securities	(24,611)	(5,347)	22,482	(25,652)
Investment income	631	565	1,185	1,129
	<b>(23,980)</b>	<b>(4,782)</b>	<b>23,667</b>	<b>(24,523)</b>
<b>Expenses</b>				
Depreciation (Note 5)	180	16	192	32
Filing fees	666	3,938	1,285	6,469
Foreign exchange loss (gain)	(91)	(871)	(143)	(1,233)
Rent (Note 10)	(873)	2,097	525	4,195
Office and administration	3,888	6,432	7,438	11,658
Professional fees (Note 10)	17,929	21,729	19,819	21,729
Telecommunication	-	600	110	1,201
	<b>(21,699)</b>	<b>(33,941)</b>	<b>(29,226)</b>	<b>(44,051)</b>
<b>Income (loss) before other items</b>	<b>(45,679)</b>	<b>(38,723)</b>	<b>(5,559)</b>	<b>(68,574)</b>
<b>Other items</b>				
Change in fair value of marketable securities	(39,009)	(13,711)	(39,009)	(54,402)
<b>Loss and comprehensive loss for the period</b>	<b>(84,688)</b>	<b>(52,434)</b>	<b>(44,568)</b>	<b>(122,976)</b>
<b>Basic and diluted loss per common share</b>	<b>(0.01)</b>	<b>(0.01)</b>	<b>(0.01)</b>	<b>(0.03)</b>
<b>Weighted average common shares outstanding</b>	<b>6,702,501</b>	<b>5,723,600</b>	<b>6,702,501</b>	<b>4,898,567</b>

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

**ESSTRA INDUSTRIES INC.**

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

(Expressed in Canadian Dollars)

(Unaudited)

	<b>Number of Shares</b>	<b>Amount (\$)</b>	<b>Retained Earnings (\$)</b>	<b>Total Shareholders' Equity (\$)</b>
<b>Balance at May 31, 2018</b>	<b>4,082,501</b>	<b>-</b>	<b>371,026</b>	<b>371,026</b>
Common shares issued - private placement	2,620,000	262,000	-	262,000
Loss for the period	-	-	(122,976)	(122,976)
<b>Balance at November 30, 2018</b>	<b>6,702,501</b>	<b>262,000</b>	<b>248,050</b>	<b>510,050</b>
Loss for the period	-	-	(74,133)	(74,133)
<b>Balance at May 31, 2019</b>	<b>6,702,501</b>	<b>262,000</b>	<b>173,917</b>	<b>435,917</b>
Loss for the period	-	-	(44,568)	(44,568)
<b>Balance at November 30, 2019</b>	<b>6,702,501</b>	<b>262,000</b>	<b>129,349</b>	<b>391,349</b>

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

**ESSTRA INDUSTRIES INC.**

Condensed Interim Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

(Unaudited)

	<b>Six Month Period Ended November 30, 2019</b>	<b>Six Month Period Ended November 30, 2018</b>
	<b>(\$)</b>	<b>(\$)</b>
<b>CASH PROVIDED BY (USED IN)</b>		
<b>OPERATING ACTIVITIES</b>		
Loss for the period	(44,568)	(122,976)
Items not affecting cash:		
Change in fair value of marketable securities	39,009	25,652
Depreciation	192	32
Gain(loss) on sale of marketable securities	(22,482)	54,402
Changes in non-cash working capital items:		
Accounts payable and accrued liabilities	(11,955)	(25,768)
	<b>(39,804)</b>	<b>(68,658)</b>
<b>INVESTING ACTIVITIES</b>		
Proceeds from sale of marketable securities	106,748	118,888
Acquisition of marketable securities	(156,964)	(152,805)
	<b>(50,216)</b>	<b>(33,917)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from private placement	-	262,000
	-	262,000
<b>Change in cash during the period</b>	<b>(90,020)</b>	<b>159,425</b>
<b>Cash, beginning of period</b>	<b>336,612</b>	<b>111,535</b>
<b>Cash, end of period</b>	<b>246,592</b>	<b>270,960</b>
<b>Taxes paid during the period</b>	<b>-</b>	<b>-</b>
<b>Interest paid during the period</b>	<b>-</b>	<b>-</b>

During the six month periods ended November 30, 2019 and 2018, the Company had no significant non-cash investing or financing activities.

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

**ESSTRA INDUSTRIES INC.****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

(Unaudited)

SIX MONTH PERIOD ENDED NOVEMBER 30, 2019

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**1. NATURE OF OPERATIONS**

Esstra Industries Inc. ("the Company") was incorporated on September 6, 1996 under the laws of Alberta. Effective February 23, 2018 the continued from Alberta to British Columbia. The Company's registered office is 2974 Strangway Place, Squamish BC, V8B 0P8. The Company's shares are listed on the TSX Venture Exchange (the "Exchange") under the trading symbol "ESS".

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

**2. BASIS OF PRESENTATION****Statement of compliance**

These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB") and the interpretations of the IFRS Interpretations committee. They do not include all disclosures required by International Financial Reporting Standards ("IFRS") for annual financial statements, and therefore should be read in conjunction with the Company's audited financial statements for the year ended May 31, 2019, prepared in accordance with IFRS as issued by the IASB.

These financial statements were approved by the Board of Directors of the Company on December 19, 2019.

**Basis of presentation**

These condensed interim consolidated financial statements have been prepared on a historical cost basis, using the accrual basis of accounting, except for cash flow information and marketable securities which are measured at fair value.

**Functional and presentation currency**

These condensed interim financial statements are presented in Canadian dollars, unless otherwise noted, which is the functional currency of the Company.

**Basis of consolidation**

These condensed interim consolidated financial statements include the accounts of the parent company, Esstra Industries Inc., and its wholly-owned subsidiary 412688 BC Ltd. Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

**ESSTRA INDUSTRIES INC.**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

(Unaudited)

SIX MONTH PERIOD ENDED NOVEMBER 30, 2019

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**2. BASIS OF PRESENTATION** (continued)

**Use of Estimates and Judgments**

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities as at the date of the financial statements. Estimates and assumptions are continually evaluated and are based on management's experience and other facts and circumstances. Actual results could differ from these estimates.

The significant assumption about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, 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, relates to, but is not limited to, the following:

Deferred income taxes

The determination of income tax is inherently complex and requires making certain estimates and assumptions about future events. Deferred tax assets, including those arising from tax losses, require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the date of the statement of financial position could be impacted. The Company has adequately provided for all income tax obligations; however, changes in facts and circumstances as a result of income tax audits, reassessments, jurisprudence and any new legislation may result in an increase or decrease in the Company's provision for deferred income taxes.

There were no significant judgments made by management for the reporting period.

**3. SIGNIFICANT ACCOUNTING POLICIES**

These condensed interim consolidated financial statements have been prepared using the same accounting policies as those used in the Company's annual financial statements at May 31, 2019 with the exception of the newly adopted standards noted below.

During the period ended November 30, 2019, the Company adopted the following accounting standards:

*IFRS 16, Leases*

IFRS 16 is effective for annual periods beginning on or after January 1, 2019. This new standard replaces the existing leasing guidance in IAS 17, Leases.

IFRS 16 distinguishes between leases and service contracts on the basis of whether the customer controls the asset being leased. For those contracts determined to meet the definition of a lease, IFRS 16 requires a lessee to recognize on the balance sheet a lease asset along with the associated lease liability which reflects future lease payments, similar to current finance lease accounting. There are limited exceptions for leases with a term of less than 12 months or leases of assets which have a very low value. As a result of the adoption of IFRS 16, operating leases which were previously only recognized on the statement of loss will be recognized on the statement of financial position.

There was no impact on the Company's financial statements from the adoption of this standard.

**ESSTRA INDUSTRIES INC.****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

(Unaudited)

SIX MONTH PERIOD ENDED NOVEMBER 30, 2019

**4. MARKETABLE SECURITIES**

Carrying Value May 31, 2019	Additions (Disposition)	Unrealized Gain (Loss)	Fair Value November 30, 2019	Fair Value May 31, 2019
(\$)	(\$)	(\$)	(\$)	(\$)
119,234	72,698	(39,009)	152,923	119,234

The average cost of the marketable securities at November 30, 2019 was \$1,492,421 (May 31, 2019: 1,430,957).

**5. EQUIPMENT**

	Computer Equipment
Cost	
At June 1, 2018	\$ 21,207
Additions	-
Disposals	-
At May 31, 2019	21,207
Additions	-
Disposals	-
At November 30, 2019	21,207
Accumulated Depreciation	
At June 1, 2018	\$ 20,952
Additions	-
Disposals	-
Depreciation expense	63
At May 31, 2019	21,015
Additions	-
Disposals	-
Depreciation expense	192
At November 30, 2019	\$ 21,207
Net book value	
At May 31, 2019	\$ 192
At November 30, 2019	-

**ESSTRA INDUSTRIES INC.**

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

(Unaudited)

SIX MONTH PERIOD ENDED NOVEMBER 30, 2019

**6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<b>November 30, 2019</b>	<b>May 31, 2019</b>
	<b>(\$)</b>	<b>(\$)</b>
Trade payables	1,504	11,996
Accrued liabilities	7,037	8,500
<b>Total</b>	<b>8,541</b>	<b>20,496</b>

**7. SHARE CAPITAL****a) Authorized share capital**

Unlimited common shares without par value.  
Unlimited Class I preferred voting shares  
Unlimited Class II preferred non-voting shares  
Unlimited Class III preferred voting shares

**b) Issued share capital**Six month period ended November 30, 2019

There was no share capital activity.

Year ended May 31, 2019

The Company issued 2,620,000 units at a price of \$ 0.10 per unit for net proceeds of \$262,000. Each unit was comprised of one common share and one transferrable common share purchase warrant. Each warrant entitles the holder to purchase an additional common share at a price of \$0.10 until October 9, 2023.

**ESSTRA INDUSTRIES INC.****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

(Unaudited)

SIX MONTH PERIOD ENDED NOVEMBER 30, 2019

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**7. SHARE CAPITAL (continued)****c) Stock options**

The Company has a shareholder approved stock option plan (the "Plan"), which is in compliance with the Exchange's policies. Under the Plan the maximum number of shares reserved for issuance may not exceed 10% of the total number of issued and outstanding common shares at the time of grant of options. The exercise price of each stock option shall not be less than the market price of the Company's stock at the date of grant. Vesting terms are at the discretion of the directors.

There were no stock options issued or outstanding during the six month period ended November 30, 2019 or the year ended May 31, 2019.

**d) Share purchase warrants**

There were no share purchase warrants issued or outstanding during the six month period ended November 30, 2019 or the year ended May 31, 2019.

**8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT***Financial risk management*

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- 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 data.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's financial instruments consist of cash and cash equivalents, marketable securities and accounts payable and accrued liabilities.

The fair values of cash and marketable securities are measured using level one of the fair value hierarchy. The fair value of accounts payable and accrued liabilities approximate their book values because of the short-term nature of these instruments.

*Financial instrument risk exposure*

The Company is exposed in varying degrees to a variety of financial instrument-related risks. The Board approves and monitors the risk management processes.

**ESSTRA INDUSTRIES INC.**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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SIX MONTH PERIOD ENDED NOVEMBER 30, 2019

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**8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT** (continued)

*Credit risk*

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its payment obligations. The Company has no material counterparties to its financial instruments. The Company manages credit risk for cash by ensuring that these financial assets are placed with a major financial institution with strong investment grade ratings by a primary ratings agency. The Company's receivables consist of goods and services tax due from the Canada Revenue Agency. The Company does not believe it has a material exposure to credit risk.

*Liquidity risk*

The Company seeks to ensure that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash. The Company's cash is invested in business accounts and a redeemable guaranteed investment certificate ("GIC"), which are available on demand. As at the balance sheet date, the Company had sufficient cash to meet its current obligations and was not exposed to significant liquidity risk.

*Interest rate risk*

The Company is exposed to interest rate risk in that it holds a variable rate redeemable GIC. The Company does not have any variable interest rate liabilities.

*Currency risk*

The Company is not exposed to significant foreign currency risk.

*Price risk*

The Company is exposed to price risk with respect to 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 Company closely monitors individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company. Fluctuations in pricing may be significant.

**ESSTRA INDUSTRIES INC.****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

(Unaudited)

SIX MONTH PERIOD ENDED NOVEMBER 30, 2019

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**9. MANAGEMENT OF CAPITAL**

The Company manages its common shares, stock options and share purchase warrants as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the acquisition and/or development of exploration and evaluation assets and to maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk. The Company is not subject to any externally imposed capital requirements.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may issue new shares, issue debt or acquire and/or dispose of assets.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

In order to maximize ongoing operations, the Company does not pay out dividends. The Company's investment policy is to keep its cash treasury invested in demand certificates of deposit with major financial institutions.

There have been no changes to the Company's approach to capital management during the six month period ended November 30, 2019.

**10. RELATED PARTY TRANSACTIONS**

The following summarizes the Company's related party transactions during the six month periods ended November 30, 2019 and 2018. Key management personnel included the Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO"), and directors and officers and companies controlled or significantly influenced by them:

Key management compensation

	<u>2019</u>	<u>2018</u>
	<u>(\$)</u>	<u>(\$)</u>
Professional and occupancy fees paid or accrued to a former officer of the Company.	3,875	5,025
	<u>3,875</u>	<u>5,025</u>

As at November 30, 2019, a total of \$1,077 (May 31, 2019 - \$3,697) was included in accounts payable and accrued liabilities owing to a director of the Company. These liabilities are non-interest bearing and repayable on demand.

**11. SEGMENTED INFORMATION**

The Company currently operates in the investment sector primarily in Canada.