

**ESSTRA INDUSTRIES INC.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**MAY 31, 2019 and 2018**  
**(Expressed in Canadian Dollars)**

**Index**

	Page
<b>FINANCIAL STATEMENTS</b>	
Independent Auditors' Report	1
Consolidated Statements of Financial Position	4
Consolidated Statements of Operations and Comprehensive Loss	5
Consolidated Statements of Changes in Equity	6
Consolidated Statements of Cash Flows	7
Notes to the Consolidated Financial Statements	8 – 20

p | 604.683.3277  
f | 604.684.8464

SUITE 1735, TWO BENTALL CENTRE  
555 BURRARD STREET  
BOX 243  
VANCOUVER, BC V7X 1M9



charlton & company  
CHARTERED PROFESSIONAL ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

To the Shareholders of:  
**Esstra Industries Inc.**

### **Opinion**

We have audited the consolidated financial statements of Esstra Industries Inc. (the "Company"), which comprise the consolidated statement of financial position as at May 31, 2019 and 2018, and the consolidated statements of loss and comprehensive loss, changes in shareholders' deficit and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at May 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### **Basis for Opinion**

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Other Information**

Management is responsible for the other information. The other information comprises the Management Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the consolidated financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Robert G. Charlton.

*Charlton & Company*

**CHARTERED PROFESSIONAL ACCOUNTANTS**

1735-555 Burrard Street

Vancouver, BC

V7X 1M9

September 26, 2019

**ESSTRA INDUSTRIES INC.**  
**Consolidated Statements of Financial Position**  
**As at May 31**  
**(Expressed in Canadian dollars)**

	2019	2018
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 336,612	\$ 111,585
Marketable securities (Note 5)	119,234	271,530
Prepaid expenses	375	375
	<u>456,221</u>	<u>383,490</u>
<b>Property and equipment (Note 6)</b>	<u>192</u>	<u>255</u>
	<u>\$ 456,413</u>	<u>\$ 383,745</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 10)	\$ 20,496	\$ 12,719
	<u>262,000</u>	<u>-</u>
<b>Shareholders' equity</b>	<u>173,917</u>	<u>371,026</u>
Share capital (Note 7)	262,000	-
Retained earnings	173,917	371,026
	<u>435,917</u>	<u>371,026</u>
	<u>\$ 456,413</u>	<u>\$ 383,745</u>

Nature of operations (Note 1)

Approved by the Board:

*"Peter G. Dickson"*

---

Director

*"David Atkinson"*

---

Director

**ESSTRA INDUSTRIES INC.**  
**Consolidated Statements of Operations and Comprehensive Loss**  
**Years ended May 31**  
**(Expressed in Canadian dollars)**

	<b>2019</b>	<b>2018</b>
<b>Revenue</b>		
Realized loss on sale of marketable securities	\$ (460,746)	(276,216)
Investment income	2,525	2,956
	<u>(458,221)</u>	<u>(273,260)</u>
<b>Expenses</b>		
Depreciation	63	85
Filing fees	16,551	10,332
Foreign exchange loss (gain)	(2,681)	(247)
Management fees (recovery) (Note 10)	-	(3,675)
Occupancy costs	8,389	8,244
Office and administration (Note 10)	22,572	23,670
Professional fees	37,360	10,484
Telephone	2,417	3,151
Travel and promotion	868	471
	<u>85,539</u>	<u>52,515</u>
<b>Loss before other items</b>	<u>(543,760)</u>	<u>(325,775)</u>
<b>Other items</b>		
Change in unrealized gain on valuation of marketable securities	346,651	267,338
	<u>346,651</u>	<u>267,338</u>
<b>Net and comprehensive loss for the year</b>	<u>\$ (197,109)</u>	<u>(58,437)</u>
<b>Basic and diluted earnings per common share</b>	<u>\$ (0.03)</u>	<u>\$ (0.01)</u>
<b>Weighted average number of common shares outstanding</b>	<u>6,702,501</u>	<u>4,082,501</u>

**ESSTRA INDUSTRIES INC.**  
**Consolidated Statements of Changes in Equity**  
**May 31, 2019**  
(Expressed in Canadian dollars)

	Number of Shares		Share Capital		Retained Earnings		Total Equity
Balance May 31, 2017	4,082,501	\$	-	\$	429,463	\$	429,463
Loss and comprehensive loss for the year	-		-		(58,437)		(58,437)
<b>Balance May 31, 2018</b>	<b>4,082,501</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>371,026</b>	<b>\$</b>	<b>371,026</b>
Shares issued pursuant to private placement	2,620,000		262,000		-		262,000
Loss and comprehensive loss for the year	-		-		(197,109)		(197,109)
<b>Balance May 31, 2019</b>	<b>6,702,501</b>	<b>\$</b>	<b>262,000</b>	<b>\$</b>	<b>173,917</b>	<b>\$</b>	<b>435,917</b>

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

**ESSTRA INDUSTRIES INC,**  
**Consolidated Statements of Cash Flows**  
**Years ended May 31**  
**(Expressed in Canadian dollars)**

	<b>2019</b>	<b>2018</b>
<b>Cash flows provided by (used in)</b>		
<b>Operating activities</b>		
Loss and comprehensive loss for the year	\$ (197,109)	\$ (58,437)
Items not involving cash:		
Loss on sale of marketable securities	460,746	276,216
Unrealized gain on valuation of marketable securities	(346,651)	(267,338)
Depreciation of assets	63	85
	<u>(82,951)</u>	<u>(49,474)</u>
Changes in non-cash working capital items:		
Increases in accounts payable and accrued liabilities	7,777	(28,845)
	<u>(75,174)</u>	<u>(78,319)</u>
<b>Investing activities</b>		
Proceeds from sale of marketable securities	304,314	432,991
Proceeds from sale of automobile	-	-
Acquisition cost of marketable securities	(266,113)	(292,883)
	<u>38,201</u>	<u>140,108</u>
<b>Financing activities</b>		
Issuance of share capital	262,000	-
	<u>262,000</u>	<u>-</u>
<b>Change in cash and cash equivalents during the year</b>	<b>225,027</b>	<b>61,789</b>
<b>Cash and cash equivalents, beginning of the year</b>	<b>111,585</b>	<b>49,796</b>
<b>Cash and cash equivalents, end of the year</b>	<b>\$ 336,612</b>	<b>\$ 111,585</b>
<b>Cash paid during the year for interest</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Cash paid during the year for income taxes</b>	<b>\$ -</b>	<b>\$ -</b>

Supplemental disclosure with respect to cash flows (Note 9)

## **1. NATURE OF OPERATIONS**

The Company was incorporated on September 6, 1996 under the laws of the Province of Alberta. Effective February 23, 2018 the continued from Alberta to British Columbia. 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 1400 – 1040 West Georgia Street, Vancouver BC, V6E 4H1.

The Company's Board of Directors authorized these consolidated financial statements for issue on September 26, 2019.

## **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) Agent warrants and warrants**

Warrants issued to agents in connection with an equity financing are recorded at fair value and charged to share issue costs associated with the offering with an offsetting credit to contributed surplus in shareholders' equity.

Warrants included in units offered to subscribers in connection with financings are valued using the residual value method whereby proceeds are first allocated to the fair value of the shares and the excess if any, allocated to the warrants.

**(l) Financial Instruments**

Financial instruments

The Company adopted all of the requirements of IFRS 9 Financial Instruments ("IFRS 9") as of June 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward-looking "expected loss" impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company's accounting policy with respect to financial liabilities is unchanged. As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for assets that continued to be recognized at the date of initial application. The change did not impact the carrying value of any financial assets or financial liabilities on the transition date.

The following is the Company's new accounting policy for financial instruments under IFRS 9:

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The Company completed a detailed assessment of its financial assets and liabilities as at June 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial assets/liabilities	Original classification IAS 39	New classification IFRS 9
Cash and cash equivalents	FVTPL	FVTPL
Investment in warrants	FVTPL	FVTPL
Investments in Marketable securities	FVTPL	FVTPL
Investments in Marketable securities held prior to January 1, 2019	AFS	FVTPL
Short-term investments	Amortized cost	Amortized cost
Accounts payable and accrued liabilities	Amortized cost	Amortized cost
Loans payable	Amortized cost	Amortized cost
Due to related parties	Amortized cost	Amortized cost

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

#### **(i) Financial instruments (continued)**

The Company did not restate prior periods as it recognized the effects of retrospective application to shareholders' equity at the beginning of the 2019 annual reporting period, which also includes the date of initial application. .

##### **(ii) Measurement**

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of income (loss). Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of income (loss) in the period in which they arise.

##### **(iii) Impairment of financial assets at amortized cost**

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of income (loss), as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

##### **(iv) Derecognition**

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of income (loss).

### **4. NEW STANDARDS NOT YET EFFECTIVE**

The following is an overview of new accounting standards that the Company will be required to adopt in future years. The Company does not expect to adopt any of these standards before their effective dates. The Company continues to evaluate the impact of these standards on its condensed interim consolidated financial statements.

- **IFRS 16 - Leases** – This standard specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17 Leases. The standard was issued in January 2016 and is effective for annual periods beginning on or after January 1, 2019.

**ESSTRA INDUSTRIES INC.**  
**Notes to the Consolidated Financial Statements**  
**May 31, 2019**  
**(Expressed in Canadian dollars)**

---

**5. MARKETABLE SECURITIES**

<b>Carrying Value May 31, 2018</b>	<b>Additions (Disposition)</b>	<b>Unrealized Gain (Loss)</b>	<b>Fair Value May 31, 2019</b>	<b>Fair Value May 31, 2018</b>
\$ 271,530	\$ (419,634)	\$ 267,338	\$ 119,234	\$ 271,530

The average cost of the marketable securities at May 31, 2019 was \$1,430,957 (2018: 2,061,664).

**6. PROPERTY AND EQUIPMENT**

	<b>Computer Equipment</b>		<b>Total</b>
<b>Cost</b>			
<b>At June 1, 2017</b>	\$ 21,207	\$	21,207
Additions	-		-
Disposals	-		-
<b>At May 31, 2018</b>	<u>21,207</u>		<u>21,207</u>
Additions	-		-
Disposals	-		-
<b>At May 31, 2019</b>	<u>21,207</u>		<u>21,207</u>
<b>Accumulated Depreciation</b>			
<b>At June 1, 2017</b>	\$ 20,867		20,867
Additions	-		-
Disposals	-		-
Depreciation expense	85		85
<b>At May 31, 2018</b>	<u>20,952</u>		<u>20,952</u>
Additions	-		-
Disposals	-		-
Depreciation expense	63		63
<b>At May 31, 2019</b>	<u>\$ 21,015</u>	<u>\$</u>	<u>21,015</u>
<b>Net book value</b>			
<b>At May 31, 2018</b>	\$ 255		255
<b>At May 31, 2019</b>	<u>\$ 192</u>		<u>192</u>

**ESSTRA INDUSTRIES INC.**  
**Notes to the Consolidated Financial Statements**  
**May 31, 2019**  
**(Expressed in Canadian dollars)**

**7. SHARE CAPITAL AND CONTRIBUTED SURPLUS**

	<b>Number of Shares</b>	<b>Share Amount</b>	<b>Contributed Surplus</b>
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, May 31, 2018</b>	<b>4,082,501</b>	\$ -	\$ -
Issuance of shares during the year	2,620,000	262,000	-
<b>Balance, May 31, 2019</b>	<b>6,702,501</b>	<b>\$ 262,000</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.

During the year ended May 31, 2019 the Company issued 2,620,000 units at a price of \$ 0.10 per share for net proceeds of \$ 262,000. Each unit is 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 issued under the private placement is subject to a four month resale restriction.

**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 May 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**  
**May 31, 2019**  
**(Expressed in Canadian dollars)**

---

**7. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)**

**Warrants**

- i) As at May 31, 2019, the Company had warrants outstanding enabling holders to acquire the following:

<b>Number of shares</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
2,680,000	\$0.10	October 6, 2019

**ESSTRA INDUSTRIES INC.**  
**Notes to the Consolidated Financial Statements**  
**May 31, 2019**  
**(Expressed in Canadian dollars)**

**8. INCOME TAXES**

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

	<b>2019</b>	2018
Loss before income taxes	\$ (198,108)	\$ (58,437)
Expected income tax recoveries	\$ (51,248)	\$ (15,194)
Non-deductible expenses	-	-
Marketable securities	(90,129)	(69,508)
Property and equipment	(330)	15
	<u>(141,707)</u>	<u>(84,678)</u>
Changes in unrecognized deferred tax assets	141,707	84,687
Income tax expense (recovery)	\$ -	\$ -

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

	<b>2019</b>	2018
Non-capital losses	\$ 895,088	\$ 634,042
Marketable securities valuation adjustments	341,048	422,322
Property and equipment	6,370	(53)
Deferred costs	-	6,975
Unrecognized deferred income for tax asset	<u>1,242,506</u>	<u>1,063,286</u>

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, 2019, the Company has non-capital losses totaling approximately \$3,442,738 that will expire commencing in 2026 to 2039.

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
2038	327,112
2039	545,027
	<u>\$ 3,442,738</u>

**ESSTRA INDUSTRIES INC.**  
**Notes to the Consolidated Financial Statements**  
**May 31, 2019**  
**(Expressed in Canadian dollars)**

---

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

There were no significant non-cash transaction for the years ended May 31, 2018 and 2017.

**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>May 31, 2019</b>	<b>May 31, 2018</b>
Accounts payable and accrued liabilities	<b>(3,697)</b>	(3,697)

The balances owing to and from related parties as at May 31, 2019 and May 31, 2018 are comprised as follows:

- \$ 3,697 owed to Peter Dickson (May 31, 2018: \$3,697), 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>May 31, 2019</b>	<b>May 31, 2018</b>
Management fee expense( recovery)	\$ -	\$ (3,675)
Office and administration	<b>20,100</b>	20,100

The detail of these transactions for the year ended May 31, 2019 is as follows:

- \$nil in management fees recovered. (May 31, 2018: recovered 3,675) paid or recovered to/from 801546 Alberta Ltd., a company controlled by Peter Dickson, a Director of Esstra.
- \$20,100 in office and administration fees (May 31, 2018: 20,100) paid to Sharon Lewis, the CFO of Esstra.

**ESSTRA INDUSTRIES INC.**  
**Notes to the Consolidated Financial Statements**  
**May 31, 2019**  
**(Expressed in Canadian dollars)**

**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 May 31, 2019, 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 May 31, 2019 and 2018, categorized into levels of the fair value hierarchy.

May 31, 2019

Financial Instruments	FVTPL	Other liabilities	Carrying value
Cash	336,612	-	336,612
Marketable securities	119,234	-	119,234
Accounts payable and liabilities	-	(20,496)	(20,496)
	455,846	(20,496)	435,350

May 31, 2018

Financial Instruments	FVTPL	Held for trading	Other liabilities	Carrying value
Cash	\$ 111,585	\$ -	\$ -	\$ 111,585
Marketable securities	-	271,530	-	271,530
Accounts payable and liabilities	-	-	(12,719)	(12,719)
	\$ 111,585	\$ 271,530	\$ (12,719)	\$ 370,396

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.

**11. FINANCIAL INSTRUMENTS AND CAPITAL DISCLOSURES (continued)**

**(a) 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.

**(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 ongoing basis and its planned capital expenditures. The Company ensures that there is sufficient working capital to fund its ongoing operating expenditures. At May 31, 2019, the Company had a working capital surplus of \$435,725 (May 31, 2018: \$ 370,771).

**(b) 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.

**(c) 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 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 year ended May 31, 2019.

## **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 year ended May 31, 2019. The Company is not subject to externally imposed capital requirements.

## **13. SEGMENTED INFORMATION**

The Company operates in the investment sector primarily in Canada.