

ESSTRA INDUSTRIES INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

Three Month Period Ended

August 31, 2020

**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)

	August 31,	May 31,
	2020	2020
	(\$)	(\$)
ASSETS		
Current assets		
Cash	185,258	229,858
Marketable securities (Note 4)	496,533	190,811
	681,791	420,669
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (Note 5)	20,089	12,631
Shareholders' equity		
Share capital (Note 6)	562,000	262,000
Retained earnings	99,702	146,038
	661,702	408,038
	681,791	420,669

Nature of operations (Note 1)**Subsequent event (Note 11)**

On behalf of the Board of Directors:

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

ESSTRA INDUSTRIES INC.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

(Unaudited)

	Three Month Period Ended August 31, 2020 (\$)	Three Month Period Ended August 31, 2019 (\$)
Expenses		
Depreciation	-	12
Filing fees	7,861	619
Foreign exchange gain	-	(52)
Rent (Note 9)	1,919	1,398
Office and administration	9,210	3,550
Professional fees (Note 9)	9,425	1,890
Telecommunication	-	110
	(28,415)	(7,527)
Other items		
Change in fair value of marketable securities (Note 4)	(15,073)	47,093
Investment income	344	554
Realized loss on sale of marketable securities (Note 4)	(3,192)	-
Loss and comprehensive loss for the period	(46,336)	40,120
Basic and diluted loss per common share	(0.01)	0.01
Weighted average common shares outstanding	7,110,110	6,702,501

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

ESSTRA INDUSTRIES INC.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

(Expressed in Canadian Dollars)

(Unaudited)

	Number of Shares	Amount (\$)	Retained Earnings (\$)	Total Shareholders' Equity (\$)
Balance at May 31, 2019	6,702,501	262,000	173,917	435,917
Loss for the period	-	-	40,120	40,120
Balance at August 31, 2019	6,702,501	262,000	214,037	476,037
Loss for the period	-	-	(67,999)	(67,999)
Balance at May 31, 2020	6,702,501	262,000	146,038	408,038
Common shares issued - private placement	1,500,000	300,000	-	300,000
Loss for the period	-	-	(46,336)	(46,336)
Balance at August 31, 2020	8,202,501	562,000	99,702	661,702

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

ESSTRA INDUSTRIES INC.

Condensed Interim Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

(Unaudited)

	Three Month Period Ended August 31, 2020 (\$)	Three Month Period Ended August 31, 2019 (\$)
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Loss for the period	(46,336)	40,120
Items not affecting cash:		
Change in fair value of marketable securities	15,073	-
Depreciation	-	12
Gain(loss) on sale of marketable securities	3,192	(47,092)
Changes in non-cash working capital items:		
Accounts payable and accrued liabilities	7,458	(6,927)
	<u>(20,613)</u>	<u>(13,887)</u>
INVESTING ACTIVITIES		
Proceeds from sale of marketable securities	45,407	115,237
Acquisition of marketable securities	<u>(369,394)</u>	<u>(160,519)</u>
	<u>(323,987)</u>	<u>(45,282)</u>
FINANCING ACTIVITIES		
Proceeds from private placement	300,000	-
	<u>300,000</u>	<u>-</u>
Change in cash during the period	(44,600)	(59,169)
Cash, beginning of period	229,858	336,612
Cash, end of period	185,258	277,443
Taxes paid during the period	-	-
Interest paid during the period	-	-

During the three month periods ended August 31, 2020 and 2019, the Company had no significant non-cash investing or financing activities.

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

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

(Expressed in Canadian Dollars)

Three Month Period Ended August 31, 2020

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 is classified as a real estate entity and currently holds investments in marketable securities. The Company's registered office is 40440 Thunderbird Ridge B1831, Garibaldi Highlands, BC, V0N 1T0. The Company's shares are listed on the TSX Venture Exchange (the "Exchange") under the trading symbol "ESS".

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, customers, economies, and financial markets globally, potentially leading to an economic downturn. It has also disrupted the normal operations of many businesses, including ours. This outbreak could decrease spending, adversely affect demand for our product and harm our business and results of operations. It is not possible for us to predict the duration or magnitude of the adverse results of the outbreak and its effects on our business or results of operations at this time.

These financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has incurred losses since its inception and the ability of the Company to continue as a going concern depends upon its ability to raise adequate financing and to develop profitable operations. These financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations. Management estimates that the Company currently has adequate capital to operate for the next twelve months.

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

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, 2020, prepared in accordance with IFRS as issued by the IASB.

These financial statements were approved by the Board of Directors of the Company on September 28, 2020.

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.

2. BASIS OF PRESENTATION (continued)

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned Canadian subsidiary, 412688 B.C. Ltd. The results of the 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.

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

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 year.

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, 2020

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

(Expressed in Canadian Dollars)

Three Month Period Ended August 31, 2020

4. MARKETABLE SECURITIES

Carrying Value May 31, 2020	Additions	Dispositions	Unrealized Gain (Loss)	Realized Gain (Loss)	Fair Value August 31, 2020
(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
190,811	369,394	(45,407)	(15,073)	(3,192)	496,533

Carrying Value May 31, 2019	Additions	Dispositions	Unrealized Gain (Loss)	Realized Gain (Loss)	Fair Value May 31, 2020
(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
119,234	230,751	(188,855)	10,803	18,878	190,811

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	August 31, 2020	May 31, 2020
	(\$)	(\$)
Trade payables	16,589	431
Accrued liabilities	3,500	12,200
Total	20,089	12,631

6. 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 capitalThree month period ended August 31, 2020

The Company issued 1,500,000 units at a price of \$0.20 per unit for gross proceeds of \$300,000. Each unit is comprised of one common share and one half of a transferrable common share purchase warrant. Each whole warrant entitles the holder to purchase an additional common share at a price of \$0.40 until August 7, 2022. In addition, the warrants contain a provision wherein if the closing price of the common shares of the Company exceeds \$0.80 for 10 consecutive trading days following the expiration of the statutory hold period, then the Company has the option to provide written notice to warrant holders and accelerate the expiration date of the warrants to 30 days from the date of the notice. No value was attributed to the warrant portion of the unit.

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

(Expressed in Canadian Dollars)

Three Month Period Ended August 31, 2020

6. SHARE CAPITAL (continued)Year ended May 31, 2020

There was no share capital activity.

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 three month period ended August 31, 2020 or the year ended May 31, 2020.

d) Share purchase warrants

The continuity of the Company's share purchase warrants is as follows:

	Number of Warrants	Weighted Average Time to Expiry (yrs)	Weighted Average Exercise Price (\$)
Balance, May 31, 2020 and 2019	2,620,000	3.36	0.10
Issued	750,000	2.00	0.40
Balance, August 31, 2020	3,370,000	2.85	0.17

As at August 31, 2020 the following share purchase warrants were outstanding:

Expiration Date	Number of Warrants	Weighted Average Exercise Price (\$)
August 7, 2022	750,000	0.40
October 9, 2023	2,620,000	0.10
	3,370,000	0.17

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

Three Month Period Ended August 31, 2020

7. 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, 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.

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 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, short-term assets, and liabilities. 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.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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Three Month Period Ended August 31, 2020

7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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.

8. 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 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 period ended August 31, 2020.

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

(Expressed in Canadian Dollars)

Three Month Period Ended August 31, 2020

9. RELATED PARTY TRANSACTIONS

The following summarizes the Company's related party transactions during the three month periods ended August 31, 2020 and 2019. 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>2020</u>	<u>2019</u>
	<u>(\$)</u>	<u>(\$)</u>
Professional fees and rent paid or accrued to a former officer of the Company.	-	3,875
	<u>-</u>	<u>3,875</u>

As at August 31, 2020 and May 31, 2020, there were no amounts owing to related parties.

10. SEGMENTED INFORMATION

The Company currently operates in Canada and trades and holds investments.

11. SUBSEQUENT EVENT

Subsequent to August 31, 2020, the Company completed the acquisition of a 5% equity interest in ExSorbtion Inc. ("ExSorbtion"), a private Nevada corporation involved in lithium extraction, in exchange for a cash payment of US\$263,160. In conjunction with the investment, the Company also received a license (the "License") to utilize ExSorbtion's patented selective-adsorption technology on one lithium brine resource selected by the Company. To maintain the License, the Company is required to make annual payments to ExSorbtion equal to the greater of a) a sliding scale royalty that starts at 5% of annual gross revenue until US\$2,000,000 has been paid, then decreasing to 2% and continuing thereafter once US\$6,000,000 has been paid; and b) minimum royalty payments commencing in the third year after ExSorbtion demonstrates a fully functioning commercial pilot plant starting at US\$100,000 and increasing by US\$50,000 each year thereafter until the sixth year.