

ESSTRA INDUSTRIES INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Expressed in Canadian Dollars)

**Year Ended
May 31, 2021**

Report Date – September 21, 2021

ESSTRA INDUSTRIES INC.
MANAGEMENT'S DISCUSSION & ANALYSIS
(Expressed in Canadian Dollars)
Year Ended May 31, 2021

The following Management's Discussion & Analysis ("MD&A") provides a review of activities, results of operations and the financial condition of Esstra Industries Inc. (the "Company") for the year ended May 31, 2021. This MD&A should be read in conjunction with the Company's audited annual financial statements for the year ended May 31, 2021, which were prepared in accordance with International Financial Accounting Standards ("IFRS"). All amounts disclosed in this MD&A are in Canadian dollars, which is the Company's presentation currency and functional currency, unless otherwise noted.

Additional information relating to the Company, including the condensed interim financial statements and the audited annual financial statements are available on the Canadian System for Electronic Document Analysis and Retrieval ("SEDAR") website at www.sedar.com.

Forward-Looking Statements

This MD&A may contain forward-looking statements based on assumptions and judgments of management regarding events or results that may prove to be inaccurate as a result of investments or other risk factors beyond its control. Actual results may differ materially from the expected results.

Except for statements of historical fact, this MD&A contains certain "forward-looking information" within the meaning of applicable securities law. Forward-looking information is frequently characterized by words such as "plan", "expect", "project", "intend", "believe", "anticipate", "estimate" and other similar words, or statements that certain events or conditions "may" or "will" occur. In particular, forward-looking information in this MD&A includes, but is not limited to, statements with respect to future events and is subject to certain risks, uncertainties and assumptions. Although we believe that the expectations reflected in the forward-looking information are reasonable, there can be no assurance that such expectations will prove to be correct. We cannot guarantee future results, performance or achievements. Consequently, there is no representation that the actual results achieved will be the same, in whole or in part, as those set out in the forward-looking information.

Forward-looking information is based on the opinions and estimates of management at the date the statements are made, which are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those anticipated in the forward-looking information. Some of the risks and other factors that could cause results to differ materially from those expressed in the forward-looking statements include, but are not limited to: general economic conditions in Canada, the United States and globally; industry conditions, including fluctuations in equity and commodity prices; the availability of capital on acceptable terms; the need to obtain required approvals from regulatory authorities; stock market volatility; volatility in market prices for commodities; liabilities inherent in investing operations; and changes in tax laws and incentive programs relating to the investment industry. Readers are cautioned that this list of risk factors should not be construed as exhaustive.

The forward-looking information contained in this MD&A is expressly qualified by this cautionary statement. We undertake no duty to update any of the forward-looking information to conform such information to actual results or to changes in our expectations except as otherwise required by applicable securities legislation. Readers are cautioned not to place undue reliance on forward-looking information.

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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, and was continued into British Columbia on February 23, 2018.

The Company's business, registered and records office is located at 40440 Thunderbird Ridge B1831, Garibaldi Highlands, BC, V0N 1T0.

The Company is classified as a real estate entity and currently holds investments in marketable securities.

OVERALL PERFORMANCE

Year Ended May 31, 2021

During the year ended May 31, 2021, the Company experienced an appreciation in some of its investments which offset some of the costs of operations. However, as the Company has no active revenue generating business, it reported a net loss of \$145,647 as compared to a net loss of \$27,879 in the prior year.

The Company incurred higher costs in the current year due to professional fees and filing fees related to a planned acquisition of ExSorbition (refer to Investments). In April 2021, the Company decided not to proceed with the transaction as the parties could not come to agreement on the terms.

The Company has cash of \$141,971 as at May 31, 2021.

SELECTED ANNUAL INFORMATION

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

	May 31, 2021	May 31, 2020	May 31, 2019
	(\$)	(\$)	(\$)
Net Income (Loss)	(145,647)	(27,879)	(197,109)
Earnings (Loss) Per Share	(0.02)	(0.00)	(0.03)
Total Assets	638,262	420,669	456,413

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RESULTS OF OPERATIONS

During the year ended May 31, 2021 (the "Current Year"), the Company reported a net loss of \$145,647 compared to a net loss of \$27,879 for the year ended May 31, 2020 (the "Prior Year").

Operating Expenses

Operating expenses for the Current Year were \$114,160 (189%) higher than the Prior Year as a result of increased professional and filing fees associated with the proposed transaction with ExSorbition Inc. The increased expenses were partially offset by an appreciation in the fair value of the Company's marketable securities.

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, 2021	February 28, 2021	November 30, 2020	August 31, 2020
	(\$)	(\$)	(\$)	(\$)
Total assets	638,262	722,833	692,253	681,791
(Loss) income for the period	(149,251)	32,873	17,067	(46,336)
(Loss) per share ⁽¹⁾	(0.02)	0.00	0.00	(0.01)
	May 31, 2020	February 29, 2020	November 30, 2019	August 31, 2019
	(\$)	(\$)	(\$)	(\$)
Total assets	420,669	401,164	399,890	489,606
(Loss) income for the period	17,024	(335)	(84,688)	40,120
(Loss) per share ⁽¹⁾	(0.00)	(0.00)	(0.01)	(0.01)

(1) Presented on an undiluted basis.

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INVESTMENTS

The Company holds a variety of investments in private and publicly traded enterprises.

In September 2020, the Company completed the acquisition of a 5% equity interest in ExSorbtion Inc. ("ExSorbtion"), a private Nevada corporation developing lithium extraction technology, in exchange for a cash payment of US\$263,160. In conjunction with the investment, the Company was to receive 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. On December 11, 2020, the Company entered into a non-binding letter of intent to acquire the remaining ownership of ExSorbtion.

The proposed transaction was cancelled in April 2021. The Company continues to hold its 5% ownership interest.

LIQUIDITY AND CAPITAL RESOURCES

The Company had cash totaling \$141,971 and a working capital position of \$210,257 as at May 31, 2021 versus \$229,858 and \$408,038, respectively, as at May 31, 2020.

The Company is continuing to explore various sources of financing, but is satisfied that it has sufficient capital to fund operations and evaluate new investment and business opportunities for the next twelve months. However, if additional funds are required to complete a transaction, then there can be no assurances that funds will be available on terms acceptable to the Company.

TRANSACTIONS WITH RELATED PARTIES

The following summarizes the Company's related party transactions during the years ended May 31, 2021 and 2020. 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>2021</u>	<u>2020</u>
	(\$)	(\$)
Professional paid or accrued to Sharon Lewis, former CFO of the Company.	-	3,875
	<u>-</u>	<u>3,875</u>

As at May 31, 2021 and 2020, there were no amounts owing to related parties.

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OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements as at May 31, 2021.

FINANCIAL INSTRUMENTS

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.

The Company's investment in ExSorbtion does not have a quoted market price in an active market and has assessed a fair value based on costs and assessment of market conditions. As a result, the fair value is classified within level 3 of the fair value hierarchy. The process of estimating the fair value of ExSorbtion is based on inherent measurement uncertainties and is based on techniques and assumptions that emphasize both qualitative and quantitative information. There is no reasonable qualitative basis to estimate the potential effect of changing the assumptions to reasonably possible alternative assumptions on the estimated fair value of the investment.

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.

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FINANCIAL INSTRUMENTS (continued)

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 a business account which is 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 not exposed to interest rate risk. 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.

SUBSEQUENT EVENT

There were no material events subsequent to May 31, 2021.

RECENT ACCOUNTING PRONONOUNCEMENTS

The Company didn't adopt any new accounting policies during the year ended May 31, 2021.

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SHARE CAPITAL INFORMATION

Disclosure of Outstanding Share Data

The authorized capital of the Company consists of an unlimited number of common shares without par value.

Shares Issued and Outstanding

As at May 31, 2021 and the Report Date, there were 8,202,501 common shares issued and outstanding.

Warrants

As at May 31, 2021 and the Report Date, the Company had the following share purchase warrants outstanding:

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

Stock options

As at May 31, 2021 and the Report Date, the Company had no incentive stock options outstanding.

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 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 year ended May 31, 2021.

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OTHER INFORMATION

On May 12, 2021, the Company announced the appointment of Greg Kuenzel to the Board of Directors.

Additional information relating to the Company is available on SEDAR at www.sedar.com.

CORPORATE INFORMATION

Directors:	Peter Dickson David Atkinson Virginia Olnick Greg Kuenzel
Officers:	Virginia Olnick, CEO and Corporate Secretary David Atkinson, CFO
Auditor:	Davidson and Company LLP Chartered Professional Accountants Suite 1200 – 609 Granville Street Vancouver, BC V7Y 1G6
Transfer Agent:	Computershare Trust Company of Canada 2 nd Floor – 510 Burrard Street Vancouver, BC V6C 3B9