

ESSTRA INDUSTRIES INC.

CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

Years Ended

May 31, 2021 and 2020

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Esstra Industries Inc.

Opinion

We have audited the accompanying consolidated financial statements of Esstra Industries Inc. (the "Company"), which comprise the consolidated statements of financial position as at May 31, 2021 and 2020, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity, 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, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at May 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

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 in our audits is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's 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.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. 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 IFRS, 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.

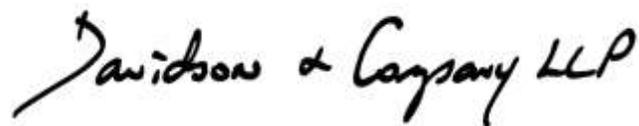
As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- 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 financial information of the entities or business activities within the Company 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 Guy Thomas.

A handwritten signature in black ink that reads "Davidson & Company LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

September 21, 2021

ESSTRA INDUSTRIES INC.

Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

	May 31, 2021	May 31, 2020
	(\$)	(\$)
ASSETS		
Current assets		
Cash	141,971	229,858
Marketable securities (Note 4)	144,157	190,811
	286,128	420,669
Long-term investment (Note 5)	352,134	-
	638,262	420,669
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (Note 6)	75,871	12,631
Shareholders' equity		
Share capital (Note 7)	562,000	262,000
Retained earnings	391	146,038
	562,391	408,038
	638,262	420,669

Nature of operations and going concern (Note 1)

On behalf of the Board of Directors:

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

ESSTRA INDUSTRIES INC.

Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

	Year Ended May 31, 2021	Year Ended May 31, 2020
	(\$)	(\$)
Expenses		
Depreciation	-	192
Filing fees	20,688	5,452
Foreign exchange loss (gain)	3,298	(194)
Office and administration	35,555	21,022
Professional fees (Note 10)	108,762	32,158
Rent	6,238	1,804
Telecommunication	163	110
	(174,704)	(60,544)
Change in fair value of marketable securities (Note 4)	28,623	10,803
Investment income	263	2,984
Realized gain on sale of marketable securities (Note 4)	171	18,878
	29,057	32,665
Loss and comprehensive loss	(145,647)	(27,879)
Basic and diluted loss per common share	(0.02)	(0.00)
Weighted average common shares outstanding	7,927,159	6,702,501

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

ESSTRA INDUSTRIES INC.

Consolidated Statements of Changes in Shareholders' Equity

(Expressed in Canadian Dollars)

	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 year	-	-	(27,879)	(27,879)
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 year	-	-	(145,647)	(145,647)
Balance at May 31, 2021	8,202,501	562,000	391	562,391

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

ESSTRA INDUSTRIES INC.

Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	Year Ended May 31, 2021 (\$)	Year Ended May 31, 2020 (\$)
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Loss for the year	(145,647)	(27,879)
Items not affecting cash:		
Change in fair value of marketable securities	(28,623)	(10,803)
Depreciation	-	192
Realized gain on sale of marketable securities	(171)	(18,878)
Changes in non-cash working capital items:		
Prepays	-	375
Accounts payable and accrued liabilities	63,240	(7,865)
	(111,201)	(64,858)
INVESTING ACTIVITIES		
Proceeds from sale of marketable securities	92,708	188,855
Acquisition of long-term investment	(352,134)	-
Acquisition of marketable securities	(17,260)	(230,751)
	(276,686)	(41,896)
FINANCING ACTIVITIES		
Proceeds from private placement	300,000	-
	300,000	-
Change in cash during the year	(87,887)	(106,754)
Cash, beginning of year	229,858	336,612
Cash, end of year	141,971	229,858
Taxes paid during the year	-	-
Interest paid during the year	-	-

During the years ended May 31, 2021 and 2020, the Company had no significant non-cash investing or financing activities.

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

1. NATURE OF OPERATIONS AND GOING CONCERN

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 consolidated 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 coming year.

2. BASIS OF PRESENTATION

Statement of compliance with IFRS

These consolidated 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”).

These consolidated financial statements were approved by the Board of Directors of the Company on September 21, 2021.

Basis of presentation

These 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 consolidated 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.

Investment in ExSorbtion

ExSorbtion is a Nevada incorporated company that is not listed for trading on any public stock exchange. Accordingly, the Company uses level 3 of the fair value hierarchy to estimate the value of its investment.

Valuation of marketable securities

The Company holds a number of investments in publicly listed companies. Accordingly, the Company uses level 1 of the fair value hierarchy to estimate the fair value of its marketable securities.

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

3. SIGNIFICANT ACCOUNTING POLICIES

Income taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded by providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; nor differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. At the end of each reporting period, the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Loss per share

The Company presents basic loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

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 rates:

Computer equipment - 25%

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Stock-based compensation

The Company has a share option plan that 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.

Financial Instruments

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 classifies cash and marketable securities as FVTPL, and accounts payable and accrued liabilities as amortized cost.

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 profit or 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 profit or loss.

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 profit or 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.

ESSTRA INDUSTRIES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
YEAR ENDED MAY 31, 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition

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 profit or loss.

4. MARKETABLE SECURITIES

Carrying Value May 31, 2020	Additions	Dispositions	Unrealized Gain (Loss)	Realized Gain (Loss)	Fair Value May 31, 2021
(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
190,811	17,260	(92,708)	28,623	171	144,157

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. LONG-TERM INVESTMENT

In July 2020, the Company acquired a 5% ownership interest in ExSorbition Inc., a private Nevada company developing lithium extraction technology for \$352,134 (US\$263,160).

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	May 31, 2021	May 31, 2020
	(\$)	(\$)
Trade payables	871	431
Accrued liabilities	75,000	12,200
Total	75,871	12,631

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

Year ended May 31, 2021

The Company issued 1,500,000 units at a price of \$0.20 per unit for gross proceeds of \$300,000. Each unit was 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 an acceleration 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.

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 years ended May 31, 2021 and 2020.

d) Share purchase warrants

As at May 31, 2021, the following warrants were outstanding

Number of Warrants	Weighted Average Exercise Price (\$)	Expiry Date	Weighted Average Remaining Contractual Life (yrs)
2,620,000	0.10	October 9, 2023	2.36
750,000	0.40	August 7, 2022	1.19
3,370,000	0.17		2.10

ESSTRA INDUSTRIES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
YEAR ENDED MAY 31, 2021

7. SHARE CAPITAL (continued)

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

	Number of Warrants	Weighted Average Exercise Price (\$)
Balance, May 31, 2019 and 2020	2,620,000	0.10
Issued	750,000	0.40
Balance, May 31, 2021	3,370,000	0.17

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, marketable securities, long-term investments and accounts payable and accrued liabilities.

The fair values of cash and public 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 Inc. (Note 5) 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 Inc. 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.

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 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 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 not exposed to interest rate risk as it does not have any variable interest rate assets or 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.

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 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.

ESSTRA INDUSTRIES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
YEAR ENDED MAY 31, 2021

9. MANAGEMENT OF CAPITAL (continued)

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.

10. RELATED PARTY TRANSACTIONS

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 fees paid or accrued to a former officer of the Company.	Nil	3,875
	<u>Nil</u>	<u>3,875</u>

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

11. SEGMENTED INFORMATION

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

12. INCOME TAXES

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

	<u>2021</u>	<u>2020</u>
	(\$)	(\$)
Loss for the year	(145,647)	(27,879)
Expected income tax (recovery)	(39,000)	(8,000)
Adjustment to prior years provision	6,000	(34,000)
Permanent differences	(5,000)	(1,000)
Other	-	(7,000)
Change in unrecognized deductible temporary differences and other	38,000	50,000
<u>Total income tax expense (recovery)</u>	<u>-</u>	<u>-</u>

ESSTRA INDUSTRIES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
YEAR ENDED MAY 31, 2021

12. INCOME TAXES (continued)

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

	2021	2020
	(\$)	(\$)
Deferred tax assets (liabilities)		
Equipment	7,000	6,000
Marketable securities	337,000	340,000
Non-capital losses available for future periods	986,000	946,000
	1,330,000	1,292,000
Unrecognized deferred tax assets	(1,330,000)	(1,292,000)
Net deferred tax assets	-	-

The deferred tax assets have not been recognized in these consolidated financial statements as it is not probable that they will be realized.

The significant components of the Company's unrecognized temporary differences and tax losses are as follows:

	2021		2020	Expiry Date
	(\$)		(\$)	Range
Temporary differences				
Marketable securities	2,497,000	No expiry date	2,524,000	No expiry date
Non-capital losses available for future periods	3,654,000	2026-2041	3,503,000	2026-2040

Tax attributes are subject to review, and potential adjustment, by tax authorities.