

# **EnerSpar Corp.**

## **Audited Financial Statements** (Expressed in Canadian dollars)

**As at and for the years ended  
December 31, 2018 and 2017**

## **MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL REPORTING**

The accompanying financial statements of EnerSpar Corp. (the "Company") are the responsibility of management and have been approved by the Board of Directors of the Company.

The financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with International Financial Reporting Standards as disclosed in the notes to the financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the Statement of Financial Position date. In the opinion of management, the financial statements have been prepared within acceptable limits of materiality and are in accordance with International Financial Reporting Standards appropriate in the circumstances.

The Board of Directors is responsible for reviewing and approving the financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the internal controls over the financial reporting process. The Audit Committee meets with management as well as with the independent auditors to review the financial statements and the auditors' report. The Audit Committee also reviews the Annual Report to ensure that the financial information reported therein is consistent with the information presented in the financial statements. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company’s affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

April 29, 2019

“James A. Richardson”

**Chairman and C.E.O.**

“John M Arnold”

**Director and Chief Financial Officer**

**Independent Auditor's Report**

To the Shareholders of  
EnerSpar Corp.

We have audited the accompanying financial statements of EnerSpar Corp., which comprise the statements of financial position as at December 31, 2018 and 2017, and the statements of loss and comprehensive loss, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

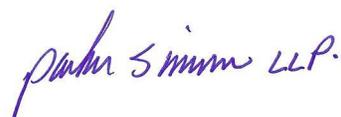
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of EnerSpar Corp. as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

**Emphasis of Matters**

Without qualifying our opinion, the accompanying financial statements have been prepared assuming the Company will continue as a going concern. As more fully described in the notes to these financial statements, the Company has not generated revenues to date. This condition raises material uncertainty which may cast substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result from the outcome of this uncertainty.



April 29, 2019

**EnerSpar Corp.**  
**Statement of Financial Position**  
**December 31, 2018 and 2017**

*(Expressed in Canadian dollars)*

<b>As at December 31</b>	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash (note 6)	38,894	215,233
Sales taxes recoverable	12,990	76,592
Prepaid expenses	663	2,265
	<b>52,547</b>	<b>294,090</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade, other payables and accrued liabilities (note 7)	113,122	231,498
	<b>113,122</b>	<b>231,498</b>
<b>Shareholder's Equity</b>		
Share capital (note 8 (b))	1,122,620	1,058,245
Share option reserve (note 8 (c))	71,658	74,271
Warrants reserve (note 8 (e))	-	54,375
Deficit	(1,254,853)	(1,124,299)
	<b>(60,575)</b>	<b>62,592</b>
	<b>52,547</b>	<b>294,090</b>

See accompanying notes to the financial statements.

Approved on behalf of the Board on April 29, 2019:

Signed "Jay Richardson"

Signed "John Arnold"

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 Director

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 Director

**EnerSpar Corp.**  
**Statements of Loss and Comprehensive Loss**  
**Years Ended December 31, 2018 and 2017**  
*(Expressed in Canadian dollars)*

	2018	2017
	\$	\$
<b>Expenses</b>		
Management fees	88,000	81,000
Professional fees	37,810	34,014
Public company costs	9,954	37,248
Cost of incentive option grants (note 8 ( c))	2,881	40,106
Exploration costs	-	355,500
Property acquisition costs/(recovered)	(2,000)	222,000
Investor relations expense	7,420	37,889
Printing, courier and other overheads	2,576	14,773
<b>Loss from operations</b>	<b>146,641</b>	<b>822,531</b>
<b>Other income</b>		
Interest and other income	15	1,025
HST recovery	10,578	-
<b>Net loss and total comprehensive loss for the period</b>	<b>136,049</b>	<b>821,506</b>
<b>Basic loss per share (note 3 (d))</b>	<b>0.006</b>	<b>0.040</b>
<b>Fully diluted loss per share (note 3 (d))</b>	<b>0.006</b>	<b>0.040</b>
<b>Weighted average number of shares outstanding – basic</b>	<b>23,812,000</b>	<b>20,597,500</b>
<b>Weighted average number of shares outstanding – Fully diluted</b>	<b>23,812,000</b>	<b>20,597,500</b>

See accompanying notes to the financial statements.

**EnerSpar Corp.**  
**Statements of Changes in Equity**  
**Years Ended December 31, 2018 and 2017**  
*(Expressed in Canadian dollars)*

	Number of common shares	Common share Capital	Warrants reserve	Share option reserve	Retained losses	Total equity
Balance at January 01, 2017	11,110,000	471,134	27,194	34,165	(302,793)	229,700
Issuance of flow through shares	10,250,000	495,451	17,049	-	-	512,500
Share issuance cost	-	(89,308)	-	-	-	(89,308)
Value assigned to broker warrants	-	(10,132)	10,132	-	-	-
Premium on flow through financing	-	71,100	-	-	-	71,100
Property acquisition cost, including finder's fee <sup>1</sup>	2,400,000	120,000	-	-	-	120,000
Non-cash imputed cost of Option grants	-	-	-	40,106	-	40,106
Net loss	-	-	-	-	(821,506)	(821,506)
Balance at December 31, 2017	23,760,000	1,058,245	54,375	74,271	(1,124,299)	62,592
Options exercised	200,000	10,000	-	-	-	10,000
Value assigned to broker warrants <sup>2</sup>	-	37,326	(37,326)	-	-	-
Value assigned to ordinary warrants <sup>2</sup>	-	17,049	(17,049)	-	-	-
Non-cash imputed cost of Option grants <sup>3</sup>	-	-	-	(2,613)	5,494	2,881
Net loss	-	-	-	-	(136,049)	(136,049)
Balance at December 31, 2018	23,960,000	1,122,620	-	71,658	(1,254,853)	(60,576)

1. In connection with the acquisition of the Johan Beetz Feldspar Property from Globex Mining Enterprises Inc. EnerSpar issued 2,000,000 shares as consideration at a deemed price of \$0.05 per share and paid \$100,000 in cash. Further, 400,000 common shares were issued to the finder as a finder's fee for the acquisition of the Johan Beetz Feldspar Property at a deemed price of \$0.05 per share.
2. On expiry of 1,736,000 broker warrants and 5,125,000 ordinary warrants in June 2018, value attributed to these warrants \$21,532 and \$17,049 were transferred to share capital. It also includes value of \$15,794 attributed to 300,000 broker warrants in the year 2012 which expired in May 2014.
3. On expiring of 100,000 options in January 2018 and exercising 200,000 options in September 2018, value attributed to these options were credited to the deficit. Option reserve of \$2,881 was created on options granted to a director on August 15, 2018.

See accompanying notes to the financial statements.

**EnerSpar Corp.**  
**Statements of Cash Flows**  
**Years Ended December 31, 2018 and 2017**  
*(Expressed in Canadian dollars)*

	<b>2018</b>	<b>2017</b>
<b>Operations</b>		
Comprehensive loss	(136,049)	(821,506)
Adjustments for non-cash items:		
Cost of incentive option grants	2,881	40,106
Property acquisition cost - shares based	-	100,000
Finder's fee- shares based	-	20,000
Changes in non-cash working capital items:		
Prepaid expense	1,603	(2,265)
Sales taxes recovered/(recoverable)	30,714	(74,058)
QST refunded	32,888	-
Trade and other payables	(118,376)	257,356
Cash Flow Used in Operating Activities	<u><b>(186,338)</b></u>	<u><b>(480,367)</b></u>
<b>Financing</b>		
Issuance of common shares for cash	10,000	-
Share issuance cost	-	(89,308)
Cash Flows from/(Used in) Financing Activities	<u><b>10,000</b></u>	<u><b>(89,308)</b></u>
Cash and cash equivalents outflows	(176,338)	(569,675)
Cash and cash equivalents, beginning of the period	215,233	784,908
Cash and cash equivalents, end of the period	<u><u><b>38,895</b></u></u>	<u><u><b>215,233</b></u></u>

**EnerSpar Corp.**  
**Notes to the Financial Statements**  
*(Expressed in Canadian dollars)*  
**Years Ended December 31, 2018 and 2017**

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**1. General Business Description and Going Concern**

EnerSpar Corp. (the "Company" or "EnerSpar"), was incorporated under the Business Corporations Act (Alberta) on June 27, 2011, as a Capital Pool Corporation ("CPC") as defined in Policy 2.4 of the TSX Venture Exchange Inc. (the "Exchange"). The Company completed its Qualifying Transaction on March 30, 2017 and changed its name on that day to reflect its new area of endeavour as permitted by Resolution passed at its Annual and Special General Meeting held July 14, 2016.

The Company's business is the acquisition, exploration and development of resource property especially in the field of industrial minerals.

Under the terms of the agreement with Globex Mining Enterprises Inc. ("Globex") (the "Agreement"), more fully described in the year-end financial statements and the Filing Statement for the Qualifying Transaction (all available on SEDAR.com) the Company has acquired 100% legal and beneficial interest in the Johan Beetz Feldspar Property, which is represented by four claims in the Province of Quebec namely Claims 2432487, 2432488, 2461222 and 2461223 Johan-Beetz/Iles & iles de Mingan 03 township Quebec NTS 12L07. Four more claims adjoining these four have been staked by Globex on behalf of EnerSpar and are under review by the relevant authorities. The company having fulfilled all of the requirements of the TSXV has received the TSXV's acceptance of the Qualifying Transaction on March 30, 2017.

The Company's shares now trade on the TSX-V as a Tier 2 Issuer under the symbol ENER and on the Frankfurt exchange under the symbol 5EO.

Under the terms of the Agreement, the Company paid \$100,000 cash and issued 2.0 million common shares to the vendor at a deemed value of \$0.05 per share and agreed to a 2.5% Gross Metal Royalty to the vendor and 400,000 common shares were issued to finder as a finder's fee for Johan Beetz Feldspar Property at a deemed price of \$0.05 per share.

The Company also arranged two private placements in December 2016. The funds from these placements were held in escrow until March 30, 2017 when all requirements of the TSXV were satisfied and the qualifying transaction was approved.

The Company will not be proceeding with the previously announced business combination with Blockstation. The transaction has been terminated with no further obligation on either party.

On February 9, 2019, the Company entered into an arms-length Letter of Intent with Mindful Capital Inc. an organic and functional food & beverage company whereby EnerSpar and Mindfull proposed to complete a business combination by way of three-cornered amalgamation and the spinout of the Company's mineral assets.

While the legal Head Office is in Alberta, the address, and principal place of business of the Company is 22 Coulson Ave., Toronto, Ontario M4V 1Y5.

**2. Basis of Preparation**

a) Statement of compliance

These audited financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The financial statements were authorized for issue by the Board of Directors on April XX, 2019.

**EnerSpar Corp.**  
**Notes to the Financial Statements**  
*(Expressed in Canadian dollars)*  
**Years Ended December 31, 2018 and 2017**

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**2. Basis of Preparation (continued...)**

b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following:

- (i) derivative financial instruments, if any, are measured at fair value; and
- (ii) held-for-trading financial assets are measured at fair value with changes in fair value recorded in earnings.

The methods used to measure fair values are discussed in note 8.

c) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Company's functional currency.

d) Adoption of new and revised standards and interpretations

At the date of authorization of these financial statements, the IASB and IFRIC have issued the following new and revised Standards and Interpretations which are not yet effective for the relevant reporting periods and which the Company has not early adopted. However, the Company is currently assessing what impact the application of these standards or amendments would have on the financial statements of the Company.

**IFRS 9 Financial Instruments:**

IFRS 9 Financial Instruments is part of the IASB's wider project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2018.

In July 2014, the IASB issued the final version of IFRS 9, which reflects all phases of the financial instruments project and replaces IAS 39, Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting.

The adoption of IFRS 9 did not have a significant impact on the Company's financial statements and did not result in a transitional adjustment.

The Company has taken an exemption not to restate comparative information for prior periods with respect to classification and measurement requirements. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 but rather those of IAS 39.

**3. Significant Accounting Policies**

(a) Share-based payments

Up to March 2017, the Company's management received their only remuneration in the form of share-based payment transactions, whereby they rendered services for no remuneration beyond a single grant of share purchase Options under the Company's Incentive Option Plan as consideration for several years of services.

**EnerSpar Corp.**  
**Notes to the Financial Statements**  
*(Expressed in Canadian dollars)*  
**Years Ended December 31, 2018 and 2017**

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**3. Significant Accounting Policies (Continued...)**

(a) Share-based payments (Continued...)

In situations where equity based instruments are issued and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment.

The costs of equity-settled transactions are measured by reference to the fair value at the date on which they are granted.

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant individuals become fully entitled to the award ("the vesting date") or at the date of grant in the case of fully vested share option grants. The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date reflecting the Company's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in the share based-payments reserve.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement or is otherwise beneficial to the employee as measured at the date of modification.

The dilutive effect of outstanding options is reflected as additional dilution in the computation of earnings per share.

(b) Taxation

Income tax expense represents the sum of tax currently payable and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the date of the statement of financial position.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the date of the statement of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognized for all deductible temporary differences and carry forward of unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilized, except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

**EnerSpar Corp.**  
**Notes to the Financial Statements**  
*(Expressed in Canadian dollars)*  
**Years Ended December 31, 2018 and 2017**

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**3. Significant Accounting Policies (continued...)**

(b) Taxation (Continued...)

The carrying amount of deferred income tax assets is reviewed at each date of the statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. The temporary differences of the Company relate to non-capital losses carry-forward and deferred share issuance costs. As the Company does not expect to become profitable in the foreseeable future, no deferred tax asset has been recorded.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the date of the statement of financial position.

In the case of the Company, the substantial uncertainty that deferred tax assets would ever be realized results in a full provision which eliminates the asset.

(c) Valuation of equity instruments

The Company has adopted the residual method with respect to the measurement of common shares and warrants issued as private placement units or initial public offering units. Warrants attached to units are valued based on the fair value of the warrants using the Black-Scholes option pricing model and the share price at the time of financing, and the difference between the proceeds raised and the value assigned to the warrants is the residual fair value of the shares.

(c) Valuation of equity instruments (Continued...)

The proceeds from the issue of units are allocated between share capital and reserve for warrants. If and when the warrants are exercised, the applicable amounts of reserve for warrants are transferred to capital stock. Consideration paid on the exercise of the warrants is credited to capital stock. If the warrants expire without exercise, the warrant reserve is transferred to share capital at expiry.

(d) Loss per share

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. The diluted loss per share amounts are calculated by dividing net loss attributable to common shareholders by the weighted average number of shares outstanding during the period plus the weighted average number of shares that would be issued on the conversion of all the dilutive potential of warrants and options into common shares if the warrants and/or options are exercisable at prices less than the then market price. During the year ended December 31, 2018 and 2017, shares issuable on exercise of all the outstanding stock options and warrants were not included in the computation of diluted loss per share notwithstanding that some Options and Warrants were "in the money" at December 31, 2018 as the effect would have been anti-dilutive owing to the loss incurred.

(e) Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held-to-maturity, available-for-sale, loans-and-receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through the statement of comprehensive loss. The Company's cash is classified as FVTPL.

**EnerSpar Corp.**  
**Notes to the Financial Statements**  
*(Expressed in Canadian dollars)*  
**Years Ended December 31, 2018 and 2017**

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**3. Significant Accounting Policies (continued...)**

(f) Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as either FVTPL or other-financial-liabilities.

Financial liabilities classified as other-financial-liabilities are initially recognized at fair value less directly attributable transaction costs. The Company's trade and other payables are classified as other-financial-liabilities.

(g) Share issuance costs

Share issuance costs incurred on the issue of the Company's shares are charged directly to share capital.

(h) Use of estimates and judgments

The preparation of these financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates will, by definition, seldom equal the actual results. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected.

Judgments made by management that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the current and following fiscal years are discussed below. The most significant estimates relate to, but are not limited to, the following:

- Assessment of the going concern presumption;
- The calculation of the fair value of share-based payments and equity settled transactions requires the use of estimates of inputs in the Black-Scholes option pricing valuation model.

**4. Capital Management**

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the business and objectives of the Company. The Board of Directors does not establish quantitative return on capital criteria for management as this form of measure is irrelevant to the effective management of capital for a resource company at this exploration and development stage of operations. Instead, the Board relies on the expertise of the Company's management to sustain future development of the business. The Corporation's policy when managing capital is to maintain a strong capital base for the objectives of maintaining financial flexibility, creditor and market confidence and to sustain the future development of the business. The Company includes only shareholders' equity in its definition of capital.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size and stage of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the year ended December 31, 2018. The Company is not subject to externally imposed capital requirements beyond that of the TSX-Venture Exchange which calls for listed companies to have 6 months of working capital, with which the Company is not in compliance.

**EnerSpar Corp.**  
**Notes to the Financial Statements**  
*(Expressed in Canadian dollars)*  
**Years Ended December 31, 2018 and 2017**

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**5. Financial Instruments and Risk Management**

The Company's activities expose it to a variety of financial risks including credit risk and liquidity risk. This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements. The Company employs risk management strategies and policies to ensure that any exposure to risk is in compliance with the Company's business objectives and risk tolerance levels. While the Board of Directors has the overall responsibility for the Company's risk management framework, the Company's management has the responsibility to administer and monitor these risks.

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty fails to discharge its obligations.

The financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash and receivables. The Company mitigates its exposure to credit loss by maintaining its cash in its legal counsel's trust account and / or on deposit (including term deposit) in a major schedule A Canadian Chartered Bank. The great majority of the Company's receivables are Sales Taxes receivable from the Canadian federal and Quebec provincial governments and are accordingly recognized as being very low risk.

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities as they become due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due without incurring unacceptable losses or risking harm to the Company's reputation.

(c) Fair values

The fair value of the Company's accounts payable and accrued liabilities approximates its carrying value because of the short-term nature of this financial instrument. Currently the Company is not involved in any hedging activities.

Financial instruments recorded at fair value on the statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 – reflects valuation based on quoted prices observed in active markets for identical assets or liabilities

Level 2 – reflects valuation techniques based on inputs that are quoted prices of similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; inputs other than quoted prices used in a valuation model that are observable for the instrument; and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – reflects valuation techniques with significant unobservable market inputs.

A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. The financial instrument in the Company's financial statements measured at Level 1 fair value is cash.

**EnerSpar Corp.**  
**Notes to the Financial Statements**  
*(Expressed in Canadian dollars)*  
**Years Ended December 31, 2018 and 2017**

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**6. Cash and Cash Equivalents**

Cash and cash equivalents consist of cash and cash equivalents previously held in escrow related to the hard dollar financing arranged on December 7, 2016, and cash held in trust related to the flow through financing arranged on December 12, 2016 and completed on March 30, 2017 with the Closing of the Qualifying Transaction and some balance of the latter not yet disbursed continues to be held in the Company's solicitor's trust account for the purpose of paying outstanding amounts of exploration expenditure. The Corporation was required to expend the gross proceeds of \$355,500 raised through the placement of 7,110,000 flow through shares by December 31, 2017. The corporation has fulfilled the flow through obligation by spending \$355,500 on exploration and committed expenditure for metallurgical work which had been begun prior to the end of the year 2017. Cash balance at the end of the year comprised of cash and a balance in the solicitor's trust account.

**7. Trade, other payables and accrued liabilities**

Trade, other payables and accrued liabilities of the Company are substantially comprised of amounts outstanding for geological services relating to the exploration program, legal fee, audit & accounting fees and transfer agent fees. The usual credit period taken for trade payables is between 31 and 60 days.

**8. Share Capital**

(a) Authorized

Unlimited Common shares without par value.

Unlimited Preferred shares that are non-voting, subject to non-cumulative dividends at a rate set by the Board at the time of their issuance, redeemable at paid-up capital at both the holder's and Company's option.

(b) Incentive share Option Plan

The Company has a share option plan pursuant to which the Board of Directors of the Corporation may grant options to purchase common shares to the officers, directors and technical consultants of the Company.

The aggregate number of common shares reserved for issuance under the share option plan is set at a maximum of 10% of the total number of shares issued and outstanding at the time the options are granted. Furthermore, the aggregate number of options of shares issuable to one optionee other than a technical consultant in any 12 months' period shall not exceed 5% of the total issued and outstanding common shares of the Company. The aggregate number of options of shares issuable to a technical consultant in any 12 months' period shall not exceed 2% of the total issued and outstanding common shares of the Company. The exercise price of all options issued under the share option plan may not be less than the closing market price on the Exchange on the last business day prior to the date the option was granted.

**EnerSpar Corp.**  
**Notes to the Financial Statements**  
*(Expressed in Canadian dollars)*  
**Years Ended December 31, 2018 and 2017**

**8. Share Capital (Continued...)**

(b) Incentive share Option Plan (Continued...)

	December 31, 2018		December 31, 2017	
	Number of	Weighted	Number of	Weighted
	Options	Average Exercise Price	Options	Average Exercise Price
	#	CAD\$	#	CAD\$
<b>Outstanding at beginning of the year:</b>				
Granted to directors	625,000	0.100	625,000	0.100
Granted to directors	750,000	0.050	-	-
Granted to directors	500,000	0.055	-	-
Granted to consultant	300,000	0.050	-	-
Granted to corporate secretary	200,000	0.050	-	-
<b>Transaction during the year:</b>				
Granted to Directors	100,000	0.055	750,000	0.050
Granted to Directors	-	-	500,000	0.055
Granted to consultant	-	-	300,000	0.050
Granted to corporate secretary	-	-	200,000	0.050
<b>Exercised/Expired during the year:</b>				
Granted to consultant	300,000	0.050	-	-
<b>Balance at the end of the year</b>	<b>2,175,000</b>		<b>2,375,000</b>	

As at December 31, 2018, the Company had 221,000 options available for issuance.

Description	Number of Options	Expiry Date	Exercise price	Fair value of options	Value per options
Directors	500,000	May 4, 2022	0.10	31,065	0.062
Directors	125,000	December 2, 2021	0.10	3,100	0.025
Directors	750,000	April 2, 2020	0.05	13,573	0.018
Corporate secretary	200,000	April 2, 2020	0.05	3,673	0.018
Directors	500,000	November 14, 2020	0.055	17,366	0.035
Directors	100,000	August 15, 2021	0.055	2,881	0.029
<b>Total</b>	<b>2,175,000</b>			<b>71,658</b>	

Above table provides information about options issued and outstanding at December 31, 2018.

500,000 options were issued to directors on May 4, 2012. The fair value of the options issued during the period was valued on the date of grant using the Black-Scholes option pricing model. In determining the fair value of the warrants, management is required to make assumptions that could have a material impact on the valuation. The following are the assumptions used: expected volatility 100%; expected dividend yield 0%; risk free interest rate 2.02%; forfeiture rate 0%; exercise price \$0.10. The fair value of the options granted on May 4, 2012 was calculated as \$0.062 per option, resulting in a total fair value of \$31,065.

125,000 options were issued to a director on December 7, 2016. The fair value of the options issued was valued on the date of grant using the Black-Scholes option pricing model. In determining the fair value of the warrants, management is required to make assumptions that could have a material impact on the valuation. The following are the assumptions used: expected volatility 100%; expected dividend yield 0%; risk free interest rate 1.03%; forfeiture rate 0%; exercise price \$0.10. The fair value of the options granted was calculated as \$0.025 per option, resulting in a total fair value of \$3,100.

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**8. Share Capital (Continued...)**

(b) Incentive share Option Plan (Continued...)

750,000 options were issued to directors during the quarter ended September 30, 2017. The fair value of the options issued during the period was valued on the date of grant using the Black-Scholes option pricing model. In determining the fair value of the warrants, management is required to make assumptions that could have a material impact on the valuation. The following are the assumptions used: expected volatility 100%; expected dividend yield 0%; risk free interest rate 1.00%; forfeiture rate 0%; share price \$0.034; exercise price \$0.05. The fair value of the options granted was calculated as \$0.018 per option, resulting in a total fair value of \$13,573.

200,000 options were issued to the corporate secretary during the quarter ended September 30, 2017. The fair value of the options issued during the period was valued on the date of grant using the Black-Scholes option pricing model. In determining the fair value of the warrants, management is required to make assumptions that could have a material impact on the valuation. The following are the assumptions used: expected volatility 100%; expected dividend yield 0%; risk free interest rate 1.00%; forfeiture rate 0%; share price \$0.034; exercise price \$0.05. The fair value of the options granted was calculated as \$0.018 per option, resulting in a total fair value of \$3,673.

500,000 options were issued to directors during the quarter ended December 31, 2017. The fair value of the options issued during the period was valued on the date of grant using the Black-Scholes option pricing model. In determining the fair value of the warrants, management is required to make assumptions that could have a material impact on the valuation. The following are the assumptions used: expected volatility 104%; expected dividend yield 0%; risk free interest rate 1.00%; forfeiture rate 0%; share price \$0.055; exercise price \$0.055. The fair value of the options granted was calculated as \$0.035 per option, resulting in a total fair value of \$17,366.

100,000 options were issued to directors on August 17, 2018. The fair value of the options issued during the period was valued on the date of grant using the Black-Scholes option pricing model. In determining the fair value of the warrants, management is required to make assumptions that could have a material impact on the valuation. The following are the assumptions used: expected volatility 135%; expected dividend yield 0%; risk free interest rate 1.00%; forfeiture rate 0%; share price \$0.04; exercise price \$0.055. The fair value of the options granted was calculated as \$0.029 per option, resulting in a total fair value of \$2,881.

(c) Loss per common share

Loss per common share is calculated based on the basic and diluted weighted average number of common shares outstanding at December 31, 2018 of 23,960,000 (2017 – 23,760,000). The effect of certain potential share option and warrant exercises has been excluded from the diluted calculations as despite their being “in-the-money”, exercise of such options outstanding at December 31, 2018 and the effect would be anti-dilutive owing to the losses incurred.

(d) Warrants

The following table provides information about warrants issued and were in force until June 2018:

Description	Number of Warrants	Expiry date	Exercise price	Market Value	Fair value of warrants *
Broker warrants	711,000	June 12, 2018	0.05	-	11,400
Broker warrants	1,025,000	June 7, 2018	0.05	0.034	10,132
Ordinary warrants	5,125,000	June 7, 2018	0.10	0.034	17,049
<b>Total</b>	<b>6,861,000</b>				<b>38,581</b>

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**8. Share Capital (Continued...)**

(d) Warrants (Continued...)

\* Out of the total number of warrants 6,861,000, no warrants were outstanding at December 31, 2018 as none of the warrants were exercised by warrant holders and all lapsed. Warrants reserve of \$38,581 was transferred to share capital during the year 2018.

**9. Financing Proceeds and Shares Held in Escrow**

All requirements of the TSXV relating to the Qualifying Transaction having been met, the funds held in escrow and in trust have been released to the company.

	<u>CAD \$</u>
Total amount raised on hard dollar financing	512,500
Less: Share issuance cost paid on hard dollar financing	51,250
Financing proceed held in escrow on hard dollar financing	461,250
Add: Amount raised on flow through financing	355,500
Less: FT share issuance cost paid	35,550
Financing proceed from flow through financing	319,950
<b>Total restricted cash and cash equivalents</b>	<b>781,200</b>
Less: Cash paid to Globex Mining Enterprises for acquisition of property	100,000
Less: Cash released to company's bank account	250,000
Less: Legal Fees and disbursements payments	71,197
Less: Exploration cost (IOS and OTD exploration)	355,500
Add: Interest received on term deposit	464
<b>Unrestricted cash and cash equivalent held in trust as at December 31, 2018</b>	<b>4,968</b>

**10. Income Taxes**

(a) Provision for Income Taxes

The Company's income tax provision differs from the amount resulting from the application of the Canadian statutory income tax rate. A reconciliation of the combined Canadian federal and provincial income tax rates with the Company's effective tax rate is as follows:

<b>For the year ended December 31,</b>	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Loss before income taxes	(136,049)	(821,506)
Combined statutory rate	25%	25%
	(34,000)	(205,400)
Share based compensation	1,000	10,000
Change in valuation allowance	33,000	195,400
	-	-

The Canadian statutory income tax rate of 25% (2017 – 25%) is comprised of the federal income tax rate at approximately 15.00% (2017 – 15%) and the provincial income tax rate of approximately 11.5% (2017–10%). The effect of the additional loss in the quarter is to increase the value of the loss carry forward and corresponding valuation allowance by approximately \$33,000.

The unamortized balance, for income tax purposes, of the share issuance fees amounts to approximately \$17,036 (2017 - \$25,554) and will be deductible in Canada over the next several years.

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**10. Income Taxes (Continued...)**

(b) Tax Loss Carry-forwards

The Company has accumulated non-capital losses of \$776,500 up to December 31, 2018, which may be deducted in the calculation of taxable income in future years. The losses expire from 2031 to 2037.

(c) Deferred Tax Balances

The deferred income tax asset is compromised of the following temporary differences:

As at December 31,	2018	2017
	\$	\$
Non-capital loss carry forward	206,000	167,000
Unamortized financing costs	5,000	6,800
Exploration and development expenditures	58,000	58,800
Valuation allowance	(269,000)	(233,3000)
	-	

**11. Subsequent events**

- On Feb. 7, 2019 the Company issued a press release to announce the signing of a Letter of Intent with Mindfull. Subject to shareholder approval, Regulatory consent and certain other conditions, the Company will acquire all of the shares of Mindfull on a one-for-one basis. Presently there are 29,250,000 shares of Mindfull outstanding. Prior to completion of the Transaction, EnerSpar will have spun out to its existing shareholders all of its present assets, liabilities and business (being the Johan Beetz potassic feldspar project) by way of a dividend in-kind of the shares of a new subsidiary company with the expectation of that company becoming listed on a Canadian stock exchange. The shares of EnerSpar will have been consolidated on a one-for-eight basis and Mindfull has indicated that it is their intention to raise additional funding by way of a simultaneous issue. The Closing of the Transaction is subject to a number of conditions including Shareholder and Regulatory approvals.
- \$39,500 has been received as payments by Option holders towards exercise of Options and the related Treasury Direction for the issue of 775,000 shares will be sent to the Registrar and Transfer Agent in the coming days.