

**EnerSpar Corp.**

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

**As at and for the years ended**  
**December 31, 2019 and 2018**

## 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.

June 15, 2020

"James A. Richardson"

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

"John M Arnold"

**Director and Chief Financial**

## Independent Auditor's Report

To the Shareholders of  
EnerSpar Corp.

### **Opinion**

We have audited the consolidated financial statements of EnerSpar Corp., which comprise the statements of financial position as at December 31, 2019 and 2018, and the statements of loss and comprehensive loss, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

### **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 Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Material Uncertainty Related to Going Concern**

We draw attention to Note 1 in the financial statements, which indicates that the Company had limited working capital as at December 31, 2019. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that material uncertainties exist that cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### **Other information**

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

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 Financial Statements***

Management is responsible for the preparation and fair presentation of the 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.

In preparing the 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 Financial Statements***

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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

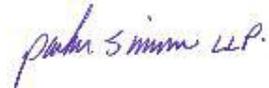
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting 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 controls.
- 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 controls.
- 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 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 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 continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 Marco F. Simone.

A handwritten signature in blue ink that reads "Parker Simone LLP".

June 15, 2020

**EnerSpar Corp.**  
**Statements of Financial Position**  
**December 31, 2019 and 2018**  
*(Expressed in Canadian dollars)*

<b>As at December 31,</b>	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash (note 6)	2,244	38,894
Due from Mindfull Capital Inc. (note 7)	15,000	-
HST recoverable	18,599	12,990
Prepaid expenses	-	663
	<b>35,843</b>	<b>52,547</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade payables and accrued liabilities (note 8)	90,996	113,122
Advances from related party	435	-
	<b>91,431</b>	<b>113,122</b>
<b>Shareholder's Equity</b>		
Share capital (note 9 (b))	1,213,370	1,122,620
Share option reserve (note 9 (c))	9,503	71,658
Deficit	(1,278,461)	(1,254,853)
	<b>(55,588)</b>	<b>(60,575)</b>
	<b>35,843</b>	<b>52,547</b>

See accompanying notes to the financial statements.

Approved on behalf of the Board on June 15, 2020:

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, 2019 and 2018**  
*(Expressed in Canadian dollars)*

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>Expenses</b>		
Management fees	70,000	88,000
Professional fees	19,917	37,810
Public company costs	11,467	9,954
Cost of incentive option grants (note 9 (c))	-	2,881
Property acquisition costs/(recovered)	-	(2,000)
Investor relations	9,211	7,420
Printing, courier and other overheads	5,982	2,576
<b>Loss from operations</b>	<b>116,577</b>	<b>46,641</b>
<b>Revenues</b>		
Interest	51	15
Mindfull Capital Inc. extension fee	30,000	-
HST recovery	763	10,577
<b>Net loss and total comprehensive loss for the year</b>	<b>85,763</b>	<b>136,049</b>
<b>Basic loss per share (note 3 (d))</b>	<b>0.003</b>	<b>0.006</b>
<b>Fully diluted loss per share (note 3 (d))</b>	<b>0.003</b>	<b>0.006</b>
<b>Weighted average number of shares outstanding - basic</b>	<b>24,730,479</b>	<b>23,812,000</b>
<b>Weighted average number of shares outstanding - Fully diluted</b>	<b>24,730,479</b>	<b>23,812,000</b>

See accompanying notes to the financial statements.

**EnerSpar Corp.**  
**Statements of Changes in Equity**  
**Years Ended December 31, 2019 and 2018**

*(Expressed in Canadian dollars)*

	Number of common shares	Common share Capital \$	Warrants reserve \$	Share optio reserve
Balance at January 01, 2018	23,760,000	1,058,245	54,375	74,2
Options exercised <sup>1</sup>	200,000	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>	-	-	-	(2,61
Net loss and comprehensive loss	-	-	-	
Balance at December 31, 2018	<u>23,960,000</u>	<u>1,122,620</u>	<u>-</u>	<u>71,6</u>
Options exercised <sup>4</sup>	1,400,000	90,750	-	
Non-cash imputed cost of Option grants <sup>5</sup>	-	-	-	(62,15
Net loss and comprehensive loss	-	-	-	
Balance at December 31, 2019	<u><u>25,360,000</u></u>	<u><u>1,213,370</u></u>	<u><u>-</u></u>	<u><u>9,5</u></u>

1. 200,000 options were exercised by consultant in September 2018 at an exercise price of \$0.05.
2. On expiry of 1,736,000 broker warrants and 5,125,000 ordinary warrants in June 2018, values attributed to these warrants \$21,532 and \$15,794 respectively were added 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, values attributed to these options were \$2,881 and \$2,881 respectively. An Option reserve of \$2,881 was created on options granted to a director on August 15, 2018.
4. 625,000 options, 400,000 options and 375,000 options were exercised by directors in 2019 at an exercise price of \$0.05, \$0.055 and \$0.06 respectively.
5. On exercising 1,400,000 options and expiring 600,000 options in 2019, values attributed to these options in Share Option Reserve were \$90,750 and \$62,156 respectively.

See accompanying notes to the financial statements.

**EnerSpar Corp.**  
**Statements of Cash Flows**  
**Years Ended December 31, 2019 and 2018**  
*(Expressed in Canadian dollars)*

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>Operations</b>		
Net loss	(85,763)	(136,049)
Adjustments for non-cash items:		
Cost of incentive option grants	-	2,881
Changes in non-cash working capital items:		
Prepaid expense	663	1,603
HST recoverable	(5,609)	30,714
QST refunded	-	32,888
Trade payables and accrued liabilities	(22,126)	(118,375)
Trade and other receivables	(15,000)	-
Cash Flow Used in Operating Activities	<u><b>(127,835)</b></u>	<u><b>(186,338)</b></u>
<b>Financing</b>		
Issuance of common shares for cash	90,750	10,000
Advance from related party	435	-
Cash Flows from Financing Activities	<u><b>91,185</b></u>	<u><b>10,000</b></u>
Cash and cash equivalents outflows	(36,650)	(176,338)
Cash and cash equivalents, beginning of the year	38,894	215,232
Cash and cash equivalents, end of the year	<u><u><b>2,244</b></u></u>	<u><u><b>38,894</b></u></u>

See accompanying notes to the financial statements.

**EnerSpar Corp.**  
**Notes to the Financial Statements**  
*(Expressed in Canadian dollars)*  
**Years Ended December 31, 2019 and 2018**

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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)

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

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.

***Johan Beetz Feldspar Mineral Property Acquisition***

Under the terms of an agreement with Globex Mining Enterprises Inc. ("Globex") (the "Agreement"), the Company 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/lles & iles de Mingan 03 township Quebec NTS 12L07. Four additional claims adjoining these four have been staked by Globex on behalf of EnerSpar and are under review by the relevant authorities.

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's shares are listed on the TSX-V under the symbol ENER but are presently halted owing to the pending Transaction more fully described below, and on the Frankfurt exchange under the symbol 5EO.

***Business Combination with Mindfull Capital Inc.***

On April 8, 2019, the Company entered into an arms-length Business Combination Agreement (the "Agreement") with Mindfull Capital Inc. ("Mindfull") an organic and functional food & beverage company whereby EnerSpar and Mindfull propose to complete a business combination by way of three-cornered amalgamation and the spinout of the Company's mineral assets. This Agreement has been amended three times, i.e. August 9, 2019 (Amending Agreement), November 29, 2019 ("Second Amending Agreement") and February 26, 2020 (the "Third Amending Agreement") each of which extending the closing to the Agreement. Under the terms of the Second and Third Amending Agreements, in consideration of monthly cash payments, of \$15,000 commencing November 2019, are to be made to EnerSpar by MindFull until Closing or Termination. Under the terms of the Third Amending Agreement, the deadline for closing of the business combination transaction (the "Transaction") has been extended to June 30, 2020.

***Going Concern Assumption***

As at December 31, 2019, the Company had cash of \$2,244 (December 31, 2018 - \$38,895), and a working capital deficiency \$55,588 compared to working capital deficiency of \$60,575 at December 31, 2018. EnerSpar had deficit of \$1,278,461 at December 31, 2019, (December 31, 2018 - \$1,254,853) and expects to incur further losses in the development of its business. These financial results cast doubt upon the Company's ability to continue as a going concern. The Company is in the exploration stage, as such it has neither proven reserves nor production relating to its operations. The application of the going concern assumption is dependent upon the Company's ability to generate future profitable operations and obtain the financing necessary to achieve profitable operations.

Management believes the Company has sufficient funds or access to sufficient funds to cover planned operations throughout the next twelve months. However, management plans on securing additional financing through the issue of new equity, debt and/or the sale of non-core assets. There is however no assurance that these initiatives will be successful.

**EnerSpar Corp.**  
**Notes to the Financial Statements**  
*(Expressed in Canadian dollars)*  
**Years Ended December 31, 2019 and 2018**

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

These financial statements have been prepared based on accounting principles applicable to a going concern. These accounting principles assume that EnerSpar will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. The business of exploring for minerals involves a high degree of risk. As such, there is neither a guarantee that the Company's exploration programs will yield positive results nor that the Company will be able to obtain the necessary financing to carry out the exploration and development of its mineral properties.

Management believes the going concern assumption to be appropriate for these financial statements. If the going concern assumption is not appropriate, adjustments may be necessary to the carrying value of the assets and liabilities, reported expenses, and the statement of financial position classifications used in the financial statements.

The future profitability of exploration properties and the Company's continued existence are dependent upon the preservation of its interests in the underlying properties, the development of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis.

**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 June 15, 2020.

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 a few new and revised Standards and Interpretations which are not yet effective for the relevant reporting periods and which the Company has not early adopted. The Company is currently assessing what impact, if any, the application of these standards or amendments would have on the financial statements of the Company.

**EnerSpar Corp.**  
**Notes to the Financial Statements**  
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**3. Significant Accounting Policies**

(a) Share-based payments

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

**EnerSpar Corp.**  
**Notes to the Financial Statements**  
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**Years Ended December 31, 2019 and 2018**

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

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;

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.

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, 2019 and 2018, 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, 2019 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").

**EnerSpar Corp.**  
**Notes to the Financial Statements**  
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**3. Significant Accounting Policies (continued...)**

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.

(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

**EnerSpar Corp.**  
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**Years Ended December 31, 2019 and 2018**

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**4. Capital Management (continued...)**

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, 2019. 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, but the monthly amounts now being received from Mindfull in consideration of its repeated delays in Closing the Transaction and the Extension Agreements that have been entered into, are now covering the Company's ongoing monthly requirements.

**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 at a major schedule A Canadian Chartered Bank. The Company's HST receivable is from the Canadian federal government and are accordingly recognized as being very low risk. The Company also has an amount due from Mindfull Capital Inc. which is considered low risk.

(a) 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.

(b) 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:

**EnerSpar Corp.**  
**Notes to the Financial Statements**  
*(Expressed in Canadian dollars)*  
**Years Ended December 31, 2019 and 2018**

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**5 Financial Instruments and Risk Management (continued...)**

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.

**Cash and Cash Equivalents**

Cash and cash equivalents consist of cash held in a Canadian Schedule I Chartered Bank account

**6. Due from Mindull Capital Inc.**

This amount due from Mindull Capital Inc. represents the December 31, 2019 payment due in accordance with the second amending agreement.

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

Trade, 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.

**8. Share Capital**

(a) Authorized

Unlimited number of both Common shares without par value and 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

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**8 Share Capital (continued...)**

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.

As at December 31, 2019, the Company had 2,361,000 options available for issuance.

	December 31, 2019		December 31, 2018	
	Number of Options #	Weighted Average exercise price \$	Number of Options #	Weighted Average exercise price \$
<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	750,000	0.050
Granted to Directors	600,000	0.055	500,000	0.055
Granted to consultant	-	-	300,000	0.050
Granted to corporate secretary	200,000	0.050	200,000	0.050
<b>Transaction during the year:</b>				
Granted to Directors	-	-	100,000	0.055
<b>Exercised during the year:</b>				
Granted to Directors	375,000	0.100	-	-
Granted to Directors	625,000	0.050	-	-
Granted to Directors	400,000	0.055	-	-
Granted to consultant	-	-	200,000	0.050
<b>Expired during the year</b>				
Granted to consultant	-	-	100,000	0.050
Granted to Directors	125,000	0.100	-	-
Granted to Directors	125,000	0.050	-	-
Granted to Directors	150,000	0.055	-	-
Granted to corporate secretary	200,000	0.050	-	-
<b>Balance at the end of the year</b>	<b>175,000</b>		<b>2,175,000</b>	

Outstanding at December 31, 2019.

Description	Numbers of options	Expiry date	Exercise price	Fair value of options	Value per options
Directors	125,000	May 4, 2022	0.100	7,766	0.062
Directors	50,000	November 14, 2020	0.055	1,737	0.035
<b>Total</b>	<b>175,000</b>			<b>9,503</b>	

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**8 Share Capital (continued...)**

(b) 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, 2019 of 24,730,479 (2018–23,960,000). The effect of certain potential share option and warrant exercises has been excluded from the diluted calculations as exercise of such options outstanding at December 31, 2019 would be anti-dilutive owing to the losses incurred.

**9 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:

	2019	2018
Income taxes at the statutory tax rate	\$ (22,700)	\$ (36,100)
Amortization of share issue costs	(2,300)	(2,300)
Change in valuation allowance	25,000	38,400
Income tax expense	\$ -	\$ -

The Canadian statutory income tax rate of 26.5% (2018 – 25%) is comprised of the federal income tax rate at approximately 15% (2018 – 15%) and the provincial income tax rate of approximately 11.5% (2018–11.5%).

(a) Tax Loss Carry-forwards

The Company has accumulated non-capital losses of \$1,300,148 up to December 31, 2019, 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 comprised of the following temporary differences:

	2019	2018
Non-capital losses carry forward	\$ 214,000	\$ 206,500
Unamortized share issue costs	2,000	4,000
Deferred exploration and development expenditures	58,000	58,000
Valuation allowance	(274,000)	(268,500)
Deferred income tax asset	\$ -	\$ -

**10 Subsequent events**

Under the terms of the Third Amending Agreement entered into Feb. 26, 2020, in consideration of certain cash payments to be made to EnerSpar by MindFull in certain events including monthly payments of \$15,000 per month until Closing or Termination, the deadline for closing of the business combination transaction (the "Transaction") has been extended to June 30, 2020.

As of June 15, 2020, Mindfull has not made any attempt to schedule the closing of the proposed business combination for June 30, 2020 as required by the Third Amending Agreement. Due to Mindfull's perceived inactions to close the business combination by June 30, 2020, EnerSpar believes that it is more likely than not that the proposed transaction will not be completed.