

EnerSpar Corp.

Audited Financial Statements
(Expressed in Canadian dollars)

As at and for the years ended
December 31, 2020 and 2019

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.

May 21, 2021

"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 financial statements of EnerSpar Corp., which comprise the statements of financial position as at December 31, 2020 and 2019, 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, 2020 and 2019, 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, 2020. 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 Public Accountant on the audit resulting in this Independent Auditor's Report is Marco F. Simone.

May 21, 2021

Simone + company

EnerSpar Corp.
Statements of Financial Position
December 31, 2020 and 2019

(Expressed in Canadian dollars)

As at December 31,	2020	2019
	\$	\$
Assets		
Current assets		
Cash	8,638	2,244
Due from Mindfull Capital Inc. (note 1)	-	15,000
HST recoverable	9,127	18,599
	17,765	35,843
Liabilities		
Current liabilities		
Trade payables and accrued liabilities	92,595	90,996
Advances from related party (note 6)	8,529	435
	101,124	91,431
Shareholders' Equity		
Share capital (note 7 (a))	1,213,370	1,213,370
Share option reserve (note 7 (b))	7,767	9,503
Deficit	(1,304,496)	(1,278,461)
	(83,359)	(55,588)
	17,765	35,843

See accompanying notes to the financial statements.

Approved on behalf of the Board on May 21, 2021:

Signed "Jay Richardson"
_____, Director

Signed "John Arnold"
_____, Director

EnerSpar Corp.
Statements of Loss and Comprehensive Loss
Years Ended December 31, 2020 and 2019
(Expressed in Canadian dollars)

	2020	2019
	\$	\$
Expenses		
Management fees	49,500	70,000
Professional fees	17,650	19,917
Public company costs	8,111	11,467
Investor relations	5,200	9,211
Printing, courier and other overheads	2,010	5,982
Loss from operations	82,471	116,577
Revenues		
Interest	-	51
Mindfull Capital Inc. extension fee (note 1)	54,700	30,000
HST recovery	-	763
Net loss and comprehensive loss	27,771	85,763
Basic loss per share	0.001	0.003
Fully diluted loss per share	0.001	0.003
Weighted average number of shares outstanding - basic	25,360,000	24,730,479
Weighted average number of shares outstanding - Fully diluted	25,360,000	24,730,479

See accompanying notes to the financial statements.

EnerSpar Corp.
Statements of Changes in Equity
Years Ended December 31, 2020 and 2019
(Expressed in Canadian dollars)

	Number of common shares	Common share Capital \$	Share option reserve \$	Retained losses \$	Total equity \$
Balance at January 01, 2019	23,960,000	1,122,620	71,658	(1,254,853)	(60,575)
Options exercised ¹	1,400,000	90,750	-	-	90,750
Transfer of value of expired options ²	-	-	(62,155)	62,155	-
Net loss and comprehensive loss	-	-	-	(85,763)	(85,763)
Balance at December 31, 2019	25,360,000	1,213,370	9,503	(1,278,461)	(55,588)
Transfer of value of expired options ³	-	-	(1,736)	1,736	-
Net loss and comprehensive loss	-	-	-	(27,771)	(27,771)
Balance at December 31, 2020	25,360,000	1,213,370	7,767	(1,304,496)	(83,359)

1. 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 \$0.10 respectively.
2. On exercising 1,400,000 options and expiring 600,000 options in 2019, values attributed to these options in Share Option Reserve were transferred to retained losses.
3. On expiring 50,000 options in 2020, value attributed to this option in Share Option Reserve were transferred to retained losses.

See accompanying notes to the financial statements.

EnerSpar Corp.
Statements of Cash Flows
Years Ended December 31, 2020 and 2019
(Expressed in Canadian dollars)

	2020	2019
	\$	\$
Operations		
Net loss	(27,771)	(85,763)
Changes in non-cash working capital items:		
Prepaid expense	-	663
HST recoverable	9,471	(5,609)
Trade payables and accrued liabilities	1,600	(22,126)
Due from Mindful Capital Inc.	15,000	(15,000)
Cash Flow Used in Operating Activities	<u>(1,700)</u>	<u>(127,835)</u>
 Financing		
Issuance of common shares for cash	-	90,750
Net advances from related party	8,094	435
Cash Flows from Financing Activities	<u>8,094</u>	<u>91,185</u>
 Net increase (decrease) in cash	6,394	(36,650)
Cash, beginning of year	<u>2,244</u>	<u>38,894</u>
Cash, end of year	<u><u>8,638</u></u>	<u><u>2,244</u></u>

EnerSpar Corp.
Notes to the Financial Statements
(Expressed in Canadian dollars)
Years Ended December 31, 2020 and 2019

1. General Business Description and Going Concern

EnerSpar Corp. (the "Company" or "EnerSpar"), was incorporated under the Alberta Business Corporations Act.

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 in the Johan-Beetz/Iles & ilets 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 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 and beverage company whereby EnerSpar and Mindfull proposed to complete a business combination by way of a three-cornered amalgamation and the spinout of the Company's mineral assets. This agreement was amended three times, i.e. August 9, 2019 ("Amending Agreement"), November 29, 2019 ("Second Amending Agreement") and February 26, 2020 (the "Third Amending Agreement"). Under the terms of the Second and Third Amending Agreements, EnerSpar was to receive monthly cash payments of \$15,000 commencing November 2019. EnerSpar was to receive the monthly payments from Mindfull until closing or termination of the Agreement. Under the terms of the Third Amending Agreement, the deadline for closing was extended to June 30, 2020.

On June 19, 2020 Mindfull filed a Notice of Intention to file a Proposal under the Bankruptcy and Insolvency Act, as such Mindfull's Trustee informed EnerSpar that it would not be completing the proposed transaction.

During 2020 EnerSpar received a total of \$30,000 under the terms of the Second and Third Amending Agreements as well as \$24,700, which represented 10% of the previously agreed upon break fee. This final break fee payment was net of the Superintendent of Bankruptcy's fee of \$1,300.

EnerSpar Corp.
Notes to the Financial Statements
(Expressed in Canadian dollars)
Years Ended December 31, 2020 and 2019

1. General Business Description and Going Concern (Continued)

Going Concern Considerations

As at December 31, 2020, the Company had cash of \$8,638 (December 31, 2019 - \$2,244), and a working capital deficiency of \$83,359 compared to a working capital deficiency of \$55,588 at December 31, 2019. EnerSpar had a deficit of \$1,304,496 at December 31, 2020, (December 31, 2019 - \$1,278,461) 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 and/or debt. There is however no assurance that these initiatives will be successful.

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, and the ability of the Company to raise additional financing 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 policies applied in these financial statements are based on IFRS issued and effective December 31, 2020.

The financial statements were authorized for issue by the Board of Directors on May 21, 2021.

b) Basis of presentation

The financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value, as explained in the accounting policies set out in Note 3. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

EnerSpar Corp.
Notes to the Financial Statements
(Expressed in Canadian dollars)
Years Ended December 31, 2020 and 2019

3. Basis of Preparation Continued)

c) Functional and presentation currency

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

d) Use of management estimates, judgements, and measurement uncertainty

The preparation of these financial statements using accounting policies consistent with IFRS requires management to make judgements and estimates and develop assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Such estimates primarily relate to unsettled transactions and events as at the date of the financial statements. On an ongoing basis, management evaluates its judgements and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgements and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. The most significant estimates relate to the utilization of the good will assumption, valuation of deferred tax amounts, and share-based payments. Significant estimates and judgments made by management in the preparation of these financial statements are outlined below:

Going concern assumption: The going concern presentation of the financial statements assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge liabilities in the normal course of business.

Share-based payments: Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are estimated at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Warrants are valued in a similar way. Changes in these assumptions affect the fair value estimates.

Income, value added, withholding and other taxes: The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded. Such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

EnerSpar Corp.
Notes to the Financial Statements
(Expressed in Canadian dollars)
Years Ended December 31, 2020 and 2019

2. Basis of Preparation (Continued)

e) Adoption of new and revised standards and interpretations

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2020. Many are not applicable or do not have a significant impact to the Company and have been excluded. The adoption of these new standards did not have a material impact on the consolidated financial statements.

IAS 1 – Presentation of Financial Statements (“IAS 1”) and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors (“IAS 8”) were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. The amendments are effective for annual periods beginning on January 1, 2020. IAS 1 – Presentation of Financial Statements (“IAS 1”) was amended in January 2020 to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or noncurrent is based solely on a company’s right to defer settlement at the reporting date. The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company’s own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument. The amendments are effective for annual periods beginning on January 1, 2023.

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.

EnerSpar Corp.
Notes to the Financial Statements
(Expressed in Canadian dollars)
Years Ended December 31, 2020 and 2019

3. Significant Accounting Policies (Continued)

(a) Share-based payments (Continued)

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;

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.

EnerSpar Corp.
Notes to the Financial Statements
(Expressed in Canadian dollars)
Years Ended December 31, 2020 and 2019

3. Significant Accounting Policies (Continued)

(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 years ended December 31, 2020 and 2019, shares issuable on exercise of all the outstanding stock options were not included in the computation of diluted loss per share as the effect would have been anti-dilutive owing to the loss incurred.

(e) Financial assets

The Company classifies its financial assets into three categories, depending on the cash flow characteristics of the assets and the business objective for managing the assets. Financial assets are derecognized when the contractual rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. The Company's accounting policy for each category is as follows:

Amortized cost: Assets are held within a business model with the objective of collecting their contractual cash flow; and the contractual cash flows consist solely of payments of principal and interest. They are recognized initially at fair value plus directly attributable transaction costs, and subsequently measured at amortized cost less cumulative impairment losses. A gain or loss on a debt investment is recognized in profit and loss when the asset is derecognized or impaired.

Fair value through other comprehensive income ("FVTOCI"): Assets are held within a business model that includes both hold to collect their contractual cash flow and sell the assets; and the contractual cash flows consist solely of payments of principal and interest. An election may be made to classify an equity investment that is neither held for trading nor represents contingent consideration recognized by an acquirer in a business combination, as held at FVTOCI. The option to designate an equity instrument at FVTOCI is available at initial recognition and is irrevocable. This designation results in all gains and losses being presented in OCI except dividend income which is recognized in profit or loss.

EnerSpar Corp.
Notes to the Financial Statements
(Expressed in Canadian dollars)
Years Ended December 31, 2020 and 2019

3. Significant Accounting Policies (Continued)

(e) Financial assets (Continued)

Fair value through profit and loss ("FVTPL"): Assets that do not meet the criteria for amortized cost or FVTOCI are measured at FVTPL. A gain or loss on a financial asset measured at FVTPL that is not part of a hedging relationship is recognized in profit and loss and presented on a net basis in the period in which it arises. IFRS 9 contains an option to designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces an 'accounting mismatch' that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The option to designate a financial asset at FVTPL is available at initial recognition and is irrevocable.

Financial assets should be reclassified when and only when an entity changes its business model for managing financial assets. Any such reclassifications are applied prospectively from the date of the reclassification.

(f) Financial liabilities

Under IFRS 9, financial liabilities are primarily classified at amortized cost with limited exceptions. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expires. The Company's accounting policy for each category is as follows:

FVTPL: This category comprises derivatives, liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term, and certain financial liabilities that were designated at FVTPL from inception. IFRS 9 contains an option to designate a financial liability as measured at FVTPL if doing so eliminates or significantly reduces an 'accounting mismatch' that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The option to designate a financial liability at FVTPL is available at initial recognition and is irrevocable.

Amortized cost: Financial liabilities are recognized initially at fair value net of directly attributable transaction costs. They are subsequently recognized at amortized cost using effective interest method with interest expense recognized on an effective yield basis.

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when the Company has a legal right to offset the amounts and it intends to either settle on a net basis or realize the asset and settle the liability simultaneously.

(g) Fair value hierarchy

Financial instruments recorded at fair value on the statement 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: Valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3: Valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

EnerSpar Corp.
Notes to the Financial Statements
(Expressed in Canadian dollars)
Years Ended December 31, 2020 and 2019

3. Significant Accounting Policies (Continued)

(g) Fair value hierarchy (Continued)

The classification of the financial assets and liabilities at December 31, 2020 is as follows:

Financial Instrument	Classification
Cash	Amortized cost
Trade payables and accrued liabilities	Amortized cost
Due from related party	Amortized cost

(h) Share issuance costs

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

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 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, 2020. 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. The Exchange has given no indication of adverse action.

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.

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5. Financial Instruments and Risk Management

(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 on deposit with a major schedule A Canadian Chartered Bank. At December 31, 2020 the Company's receivables are represented by sales taxes receivable which are receivable from the Canadian federal government 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) Interest rate risk

EnerSpar maintains its cash balance in a non-interest bearing bank account at a major Canadian financial institution.

6. Related party transactions

Particulars		December 31, 2020			December 31, 2019		
		Transaction during the year		Balance	Transaction during the year		Balance
		Dr/(Cr)	Dr/(Cr)		Dr/(Cr)	Dr/(Cr)	
Directors							
Jay Richardson	CEO fee	54,000			54,000		
John Arnold	CFO fee	(4,500)	49,500		18,000	72,000	
Jay Richardson	Advances	(8,094)	(8,094)	(8,529)	(1,098)	(1,098)	(435)
Total			41,406	(8,529)		70,902	(435)

At December 31, 2019 accounts payable and accrued liabilities included \$4,500 in fees owing to EnerSpar's CFO. During the year ended December 31, 2020 the CFO waived his right to receive payment of these fees owing to him. As such, the Company reversed this \$4,500 payable to management fees expense in the year. The CFO also agreed to forgo his right to be paid \$18,000 in fees for services provided in 2020.

The advance owing to Jay Richardson is unsecured, non-interest bearing and has no fixed terms of repayment.

7. Share Capital

(a) Authorized

Authorized share capital consists of an unlimited number of both Common shares without par value and Preferred shares. The Preferred shares 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.

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7. Share Capital (Continued)

(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.

As at December 31, 2020, the Company had 2,411,000 options available for issuance.

	December 31, 2020		December 31, 2019	
	Number of Options	Weighted Average exercise price	Number of Options	Weighted Average exercise price
	No.	\$	No.	\$
Outstanding at beginning of the year:				
Granted to Directors	125,000	0.100	625,000	0.100
Granted to Directors	-	-	750,000	0.050
Granted to Directors	50,000	0.055	600,000	0.055
Granted to corporate secretary	-	-	200,000	0.050
Exercised during the year:				
Granted to Directors	-	-	375,000	0.100
Granted to Directors	-	-	625,000	0.050
Granted to Directors	-	-	400,000	0.055
Expired during the year				
Granted to Directors	-	-	125,000	0.100
Granted to Directors	-	-	125,000	0.050
Granted to Directors	50,000	0.055	150,000	0.055
Granted to corporate secretary	-	-	200,000	0.050
Balance at the end of the year	125,000		175,000	

Options outstanding at December 31, 2020 are as follows:

Description	Numbers of options	Expiry date	Exercise price	Fair value of options	Value per options
Directors	125,000	May 4, 2022	0.100	7,767	0.062

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8. 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:

	2020	2019
Income taxes at the statutory tax rate	\$ (7,400)	\$ (22,700)
Amortization of share issue costs	(2,300)	(2,300)
Change in valuation allowance	(9,700)	25,000
Income tax expense	\$ -	\$ -

The Canadian statutory income tax rate of 26.5% for both 2020 and 2019 is comprised of the Federal and provincial income tax rates of 15% and 11.5%, respectively, for both years.

(b) Tax Loss Carry forwards

The Company has accumulated non-capital losses of \$844,700 up to December 31, 2020, which may be deducted in the calculation of taxable income in future years. The losses expire from 2031 to 2040. EnerSpar also has \$220,000 in cumulative Canadian development expenses that may be utilized to reduce future net income for income tax purposes.

(c) Deferred Tax Balances

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

	2020	2019
	\$	\$
Non-capital losses carry forward	224,000	214,000
Unamortized share issue costs	-	2,000
Exploration and development expenditures	58,000	58,000
Valuation allowance	(282,000)	(274,000)
Deferred income tax asset	-	-

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9. Subsequent event

On April 21, 2021, EnerSpar signed a non-binding Letter of Intent (“LOI”) with Nurexone Ltd. (Nurexone”), an Israeli based company. Under the terms of the LOI, EnerSpar will, directly or indirectly, acquire all the issued and outstanding securities of Nurexone with the intention that the acquisition will constitute a “Reverse Takeover” of EnerSpar by Nurexone for financial reporting purposes.

The LOI contemplates that EnerSpar will consolidate its outstanding shares on a 1:10 bases and then issue seventeen EnerSpar shares for each ordinary share held by the Nurexone shareholders. At this exchange ratio of 17:1, the Nurexone shareholders will hold approximately 89.0% of EnerSpar’s issued and outstanding common shares immediately after the closing of the proposed acquisition.

The LOI contemplates that Nurexone will complete a concurrent financing for gross proceeds of at least \$2.0 million. Also, on closing EnerSpar will transfer substantially all its assets and liabilities to a wholly owned subsidiary whose shares will then be transferred to EnerSpar’s existing shareholders at the time of closing.

Either party may unilaterally terminate the LOI by June 15, 2021 if a particular party is not satisfied with the results of their diligence investigations, or by September 30, 2021 if neither a definitive agreement is executed nor at least \$2.0 million in concurrent financing is raised.