

**EnerSpar Corp.**  
(Formerly Walmer Capital Corp.)  
**Management's Discussion and Analysis**  
For the Year ended December 31, 2019  
Expressed in Canadian Dollars

Dated as originally filed June 15, 2020 and amended and refiled February 1, 2021

The following **Management's Discussion and Analysis ("MD&A")** of the financial condition and results of operations of **EnerSpar Corp.** (formerly Walmer Capital Corp.) ("ENER ", "EnerSpar" or the "Company" or "Corporation") constitutes management's review of the factors that affected the Company's financial and operating performance for the year ended December 31, 2019.

This MD&A should be read in conjunction with the audited annual financial statements and MDA for the year ended December 31, 2019 together with the notes thereto dated June 15, 2020 and as amended February 1, 2021. All financial figures are in Canadian dollars.

Information contained herein is presented as at June 15, 2020, and as amended as at February 1, 2021 unless otherwise indicated.

This MD&A, except for historical information, may contain "forward-looking statements" that reflect EnerSpar's current expectations and projections about future results. When used in this MD&A, forward-looking statements can be identified by the use of words such as "estimate", "consider", "anticipate", "expect", "objective", "potential", "forecast", "believe", "project", "plan" and similar expressions or variations of such words. Forward-looking statements are, by their very nature, not guarantees of EnerSpar's future operational or financial performance and these statements may involve known and unknown risks, uncertainties and other factors that may cause the actual level of activity, results, prospects and performance to differ materially from any future levels of activity, results, prospects and performance expressed in, or implied by, these forward-looking statements. Although EnerSpar believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guaranteeing of future performance and actual results or developments may differ

materially from those in the forward-looking statements and there are no guarantees that any of EnerSpar's projects will otherwise prove to be economic.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this MD&A or as of the date otherwise specifically indicated herein. Due to risks and uncertainties, including the risks and uncertainties referred to elsewhere in this MD&A, actual events may differ materially from current expectations. EnerSpar disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law.

### **Description of Business**

EnerSpar (formerly Walmer Capital Corp., originally a Capital Pool Corporation), acquired a 100% interest in the Johan Beetz Feldspar Property from Globex Mining Enterprises Inc. (the "Vendor") as its qualifying transaction (the "Transaction") in consideration of an initial payment of \$100,000, the issuance of 2,000,000 common shares at a deemed price of \$0.05 and a gross metal royalty of 2.5% payable to the Vendor.

The Johan Beetz Feldspar Property (the "Johan Beetz Project") is made up of Mining Claims 2432487, 2432488, 2461222, 2461223, 2499379, 251607, 251608 and 251609, Johan Beetz/Iles de Mingan 03 township, Quebec, NTS 12L/07 Canada within the northeastern part of the Gulf of the St. Lawrence also known as the Cote Nord region of Quebec.

EnerSpar Corp. changed its name from Walmer Capital Corp. as of March 30, 2017 and became a Tier 2 mining issuer on the TSX Venture Exchange upon completion of the Transaction and satisfaction of the requirements of the Exchange as of that date. The shares are also listed on the Frankfurt Stock Exchange with the symbol 5E0.

EnerSpar paid a finder's fee in the amount of 400,000 common shares of ENER to the Property Finder, an arm's length party to EnerSpar, with respect to the Transaction.

EnerSpar is carrying on the business of exploring and developing the Johan Beetz Feldspar Property.

Subsequent to the year end, EnerSpar entered into a Letter of Intent with Mindfull Capital Inc. (“Mindfull”) an organic and functional food & beverage company to undertake a plan of arrangement whereby EnerSpar will spin out its existing assets into a wholly owned subsidiary and acquire all of the outstanding shares of Mindfull subject to all regulatory and shareholder approvals.

A definitive Business Combination Agreement was signed on April 16, 2019 and an amendment to that agreement extending the closing of the transaction to no later than November 15, 2019 with the expectation that the closing would occur by September 30, 2019 (an event which did not occur) was signed August 9, 2019.

EnerSpar entered into a further amending agreement with MindFull Capital Inc in connection with the business combination agreement previously entered into on April 16, 2019, as amended August 6, 2019, whereby in consideration of certain cash payments to be made to EnerSpar by MindFull in certain events including monthly payments until Closing or Termination, the deadline for closing of the business combination transaction was extended to February 28, 2020 which also did not occur.

EnerSpar entered in a further amending agreement with Mindfull Capital on February 26, 2020 which extended the deadline for closing of the business combination to June 30, 2020 (see Press Release dated February 26, 2020).

News releases dated February 7, 2019, April 16, 2019 and December 9, 2019 and posted to the company’s website and SEDAR describe in more detail the terms of the Business Combination Agreement.

On June 15, 2020, Mindfull Capital Inc. notified the Corporation that it would be filing a proposal under the Bankruptcy and Insolvency Act. Under the terms of the proposal, EnerSpar subsequently received a cash settlement of \$24,700 net of fees and agreement to terminate the BCA with Mindfull.

Subsequent to all of these dates, it was drawn to the attention of the Corporation that there were certain deficiencies in the Technical Report on the Johan Beetz Project which had been

filed as a National Instrument 43-101 Technical Report (the “43-101”) which required that it be withdrawn as a 43-101. As a result, that report has been removed from the Company’s website ([www.enerspar.com](http://www.enerspar.com)) and all references to it in any Company investor relations material have been removed and investors are cautioned not to rely on it. An updated 43-101 is expected to be filed in the near future.

## **RESULTS OF OPERATIONS**

### **General**

This Management’s Discussion and Analysis of Financial Condition and Results of Operations for EnerSpar Corp. is intended to supplement and complement the accompanying audited financial statements and notes thereto for the year ending December 31, 2019, which have been prepared by EnerSpar’s management in accordance with International Financial Reporting Standards (“IFRS”). This MD&A is dated June 15, 2020 and as amended January 31, 2021 the dates on which the Company’s Board of Directors approved it and the audited financial statements for filing on SEDAR. EnerSpar’s public filings, 2019 Annual Report, and Information Circular can be viewed on the SEDAR website at [www.sedar.com](http://www.sedar.com) and the Company’s website [www.enerspar.com](http://www.enerspar.com)

### **Major accomplishments;**

- On April 16, 2019 EnerSpar signed a definitive Business Combination Agreement with Mindfull Capital Inc., an organic and functional food & beverage company, to undertake a plan of arrangement whereby EnerSpar will spin out its existing assets and liabilities into a wholly owned subsidiary and acquire all of the outstanding shares of Mindfull subject to all regulatory and shareholder approvals.
- The Company created a wholly owned subsidiary which will own all of EnerSpar’s exploration assets and liabilities the shares of which will be dividended out to EnerSpar shareholders on completion of the Mindfull transaction.
- The Company entered into an Amending Agreement, in consideration of certain cash payments to be made to EnerSpar by Mindfull in certain events, the deadline for closing of the business combination transaction was extended to November 30, 2019 with a

further extension to February 28, 2020. A further extension to the Amending Agreement extending the deadline for closing date to June 30, 2020 was signed on February 26, 2020.

- On June 15, 2020, Mindfull Capital Inc. notified the Corporation that it would be filing a proposal under the Bankruptcy and Insolvency Act. Under the terms of the proposal, EnerSpar subsequently received a cash settlement of \$24,700 net of fees and agreement to terminate the BCA with Mindfull.
- During the year, 1,400,000 options were exercised by Directors for a total of \$90,750.
- Subsequent to the annual meeting, two former directors resigned
- Mr. John-Peter Bradford was appointed to the board to fill one of the two board vacancies

## **Results of Operations**

EnerSpar retained IOS Services Géoscientifiques Inc. (“I.O.S.”) a firm of geological consultants and mineral exploration contractors based in Chicoutimi Quebec beginning in 2017..

IOS completed a drill program at the end of December, 2017 which allowed EnerSpar to fulfill its obligation to incur \$355,000 in qualifying resource expenditures pursuant to the provisions of its December, 2016 flow through private placements.

IOS issued its report, dated May 8, 2018, on the results of the 2017 mapping, sampling and assaying of 209 samples from the drill program completed December 31, 2017. The report, which has **not** been written in accordance with National Instrument 43-101 standards, does confirm the presence of potassic and sodium feldspar and recommends that additional systematic drilling be undertaken to expand the drill pattern and complete a resource estimation.

IOS has recommended that EnerSpar employ a Rotary Air Blast (RAB) drill in future drilling which, IOS suggests, should reduce drilling costs by up to 60%. Planning continues to go ahead for a much larger drill program to be conducted in 2020 after completion of the Business Combination Agreement with Mindful Capital Inc. and the spin out of EnerSpar's exploration assets none of which was completed.

The Company plans to assemble sufficient drill information for a preliminary resource estimate to be undertaken. IOS recommended that the company mount its drill program once the ground has frozen to minimize disturbance of low-lying areas.

On February 9, 2019, the Company entered into an arms-length Letter of Intent with Mindfull 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.

On April 16, 2019 the Company signed a definitive Business Combination Agreement with Mindfull Capital Inc. to complete the above transaction subject to regulatory and shareholder approval and an agreement to extend the date of completion was signed August 9, 2019.

During the year three directors exercised Options for a total of \$90,750 for the issuance of 1,400,000 shares.

It was the company's intention to continue exploration of the Johan Beetz feldspar property on completion of the Mindfull business combination at which point the exploration assets and liabilities were to reside in a new company to be dividended to the existing EnerSpar shareholders subject to receipt of all regulatory approvals. The company will initially be a non-reporting issuer company and will seek listing on an appropriate stock exchange.

Although the Mindful transaction was terminated, the company is continuing to examine other business opportunities.

Subsequent to the Annual and Special Meeting, two of the directors, Mr. Peter Bloch and Mr. Donal Carroll, tendered their resignations (as disclosed by the press release dated August 9, 2019) which have been accepted with regret.

Operating expenses for the year of \$116,577 consisted of management fees of \$70,000, professional fees of \$19,917; public company costs of \$11,467; net office expenses of \$5,981 and public relations costs of \$9,211, miscellaneous expense recoveries of \$814 with a recovery of costs of \$30,000 resulting in a net loss of \$85,763 or a basic and fully diluted loss of \$0.003 per share.

The Company expenses all costs relating to acquisition, exploration and development of the property in the period incurred. The Company is maintaining a detailed schedule by category of expense incurred on a cumulative basis and reports such expenditures to the shareholders by way of a schedule included within the annual MD&A and included in the annual report of the Company

### **Schedule of Exploration Expenditures**

Incurred in 2017:

Geology, technician and project management	\$154,208
Equipment rental, camp costs and fuel	\$ 61,621
Sampling	\$ 17,018
Drilling	\$ 93,546
Metallurgy	\$ 12,918
Reporting	<u>\$ 16,169</u>
Total	<u>\$355,500</u>

Incurred in 2018 Nil

Incurred in 2019 Nil

Total exploration expenses to December 31, 2019 \$355,500

## Selected Financial Information

The following selected financial data is derived from the financial statements of the Company prepared within acceptable limits of materiality and are in accordance with International Financial Reporting Standards (“IFRS”).

### Statement of Financial Position data as at:

	December 31, 2019	December 31, 2018
Cash	\$2,244	\$38,894
Receivable	\$15,000	
Recoverable sales tax	\$18,599	\$12,990
Current Liabilities	\$88,799	\$113,112
Shareholders' Equity (Deficit)	\$(1,278,461 )	\$(1,254,853)

### Summary of Quarterly results

Historical quarterly information of the past most recent eight quarters.

(\$Cdn)

	Dec 31 2019	Sept 30 2019	June 30 2019	Mar 31 2019	Dec 31 2018	Sept 30 2018	June 30 2018	Mar 31 2018
Revenue	\$30,000	Nil	Nil	Nil	Nil	Nil	Nil	28
Net Profit / (loss)	2,661	(30,729)	(39,952)	(17,753)	(63,719)	(22,343)	(13,983)	(35,403)
Profit / (loss) per share	0.0001	(0.001)	(0.002)	(0.001)	(0.003)	(0.001)	(0.001)	(0.001)

## Liquidity and Capital Resources

An initial public offering (“Offering”) was completed by Walmer Capital Corp., the predecessor name of the Company, on May 3, 2012 whereby 3,000,000 Common shares were issued for net proceeds of \$255,000 (gross before expenses, \$300,000) The Company granted 500,000 incentive options to its directors and officers which are exercisable to May 9, 2022 at an exercise price of \$0.10 per share.

2,000,000 Founders shares had previously been issued at a value and for proceeds of \$0.05 per share. 1,000,000 of these shares were subsequently cancelled due to failure to complete a Qualifying Transaction within the prescribed 2-year period which resulted in there being 4,000,000 Common shares in issue at a deemed price of \$0.10 per Common share.

Directors’ and Officers’ incentive options totaling 500,000 Common shares were granted May 9, 2012 at an exercise price of \$0.10 per share, expiring May 9, 2022 and a further:

- 125,000 incentive options exercisable at \$0.10 per share granted on December 7, 2016 expiring December 7, 2021
- 1,250,000 incentive options at an exercise price of \$0.05 per share were granted on April 2, 2017 expiring April 2, 2020
- 500,000 incentive options at an exercise price of \$0.055 per share were granted on November 14, 2017 expiring November 14, 2020

100,000 incentive options at an exercise price of \$0.055 per share were granted on August 15, 2018 expiring August 15, 2021.

In connection with its Qualifying Transaction and the simultaneous Issues of Common and Flow Through Shares achieved in December 2016 and March 2017, the Company issued 19,360,000 Common shares and 6,861,000 warrants for a net amount of \$817,519 and the acquisition of the Johan Beetz property. All of the warrants expired unexercised.

During the second quarter, 1,025,000 share options were exercised for net proceeds of \$53,250, 200,000 having been exercised the previous year for proceeds of \$10,000.

As at December 31, 2019 the Company had \$2,244 in cash and cash equivalents, receivables of \$15,000, \$18,599 in recoverable sales tax, \$Nil in prepaid costs and \$88,364 of current liabilities, (primarily amounts due to geological consultants, lawyers and accountants).

## **Outlook**

The business objective of the Company is the acquisition, exploration, development and production of industrial mineral resources from properties primarily in Canada as well as examining other opportunities to enhance shareholder value.

The Company will require additional capital to pursue its business objective. There can be no assurance that the Company would be able to raise such additional capital if and when required on terms it considers acceptable. The Company is not subject to any capital requirements imposed by regulatory body, other than of the TSX Venture Exchange (“TSXV”) which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required to maintain operations and cover general and administrative expenses for a period of 6 months. As of December 31, 2019, the Company was in compliance with these requirements.

## **Internal Control over Financial Reporting**

Management has designed disclosure controls and procedures to provide reasonable assurance that material information relating to the Company is made known to the Chief Executive Officer and the Chief Financial Officer by others within the Company in an accurate and timely manner in order for the Company to comply with its continuous disclosure and financial reporting obligations and in order to safeguard assets.

## Executive and Directors Compensation

Name and position	Year	Compensation	Bonus	Committee or meeting fees	All other compensation	Total	Options granted	Exercise price
James A Richardson C.E.O., Chairman of the Board  Non Independent Director	2018	\$54,000	Nil	Nil	Nil	\$54,000	Nil	N/A
	2019  (Note)	\$54,000	Nil	Nil	Nil	\$54,000	Nil	N/A
John M Arnold C.F.O., Non independent Director	2018	\$18,000	Nil	Nil	Nil	\$18,000	Nil	N/A
	2019  (Note)	\$15,000	Nil	Nil	Nil	\$15,000	Nil	N/A
Peter Andrews  Independent Director	2018	Nil	Nil	Nil	Nil	Nil	Nil	N/A
	2019	Nil	Nil	Nil	Nil	Nil	Nil	N/A
John-Peter Bradford  Independent Director	2018	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	2019	Nil	Nil	Nil	Nil	Nil	100.000	\$0.055

**Note:** The Company has entered into a consulting agreement with the Company's C.E.O. which provides for payment of \$54,000 per annum.

The CFO does not have an employment contract and was remunerated at the rate of \$18,000 per annum. The CFO has forgone this fee since October 31, 2019 to date and there is no undertaking to reimburse the C.F.O for the foregone months.

The Company has no deferred payment plans and pays no directors fees, committee fees nor makes any contributions to any pension funds or any other form of compensation for any of its officers and directors.

With the exception of Mr. Bradford who joined the Board in 2019 (who is a Director but not a member of management), no options have been granted since 2018.

### **Audit Committee Disclosure**

National Instrument 52-110 -Audit Committees ("NI 52-110") requires that certain information regarding the audit committee of a "venture issuer" (as that term is defined in NI 52-110) be included in the Management Discussion and Analysis sent to shareholders included with the Audited Annual Financial Statements.

EnerSpar is a "venture issuer" for the purposes of NI 52-110.

### **Item 1: The EnerSpar Audit Committee Charter Duties and Responsibilities**

#### **External Auditor**

- (a) To recommend to the Board, for shareholder approval, an external auditor to examine the Company's accounts, controls and financial statements on the basis that the external auditor is accountable to the Board and the Committee as representatives of the shareholders of the Company.
- (b) To oversee the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company, including the resolution of disagreements between management and the external auditor regarding financial reporting.
- (c) To evaluate the audit services provided by the external auditor, pre-approve all audit fees and recommend to the Board, if necessary, the replacement of the external auditor.
- (d) To pre-approve any non-audit services to be provided to the Company by the external auditor and the fees for those services.

(e) To obtain and review, at least annually, a written report by the external auditor setting out the auditor's internal quality-control procedures, any material issues raised by the auditor's internal quality-control reviews and the steps taken to resolve those issues.

(f) To review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Company.

The Committee has adopted the following guidelines regarding the hiring of any partner, employee, reviewing tax professional or other person providing audit assurance to the external auditor of the Company on any aspect of its certification of the Company's financial statements:

No member of the audit team that is auditing a business of the Company can be hired into that business or into a position to which that business reports for a period of three years after the audit;

(ii) No former partner or employee of the external auditor may be made an officer of the Company or any of its subsidiaries for three years following the end of the individual's association with the external auditor;

(iii) The Chief Financial Officer ("CFO") must approve all office hires from the external auditor; and

(iv) The CFO must report annually to the Committee on any hires within these guidelines during the preceding year. (g) To review, at least annually, the relationships between the Company and the external auditor in order to establish the independence of the external auditor.

## **Financial Information and Reporting**

(a) To review the Company's annual audited financial statements with the Chief Executive Officer ("CEO") and CFO and then the full Board. The Committee will review the interim financial statements with the CEO and CFO.

(b) To review and discuss with management and the external auditor, as appropriate:

(i) The annual audited financial statements and the interim financial statements, including the accompanying management discussion and analysis; and

(ii) Earnings guidance and other releases containing information taken from the Company's financial statements prior to their release.

(c) To review the quality and not just the acceptability of the Company's financial reporting and accounting standards and principles and any proposed material changes to them or their application.

(d) To review with the CFO any earnings guidance to be issued by the Company and any news release containing financial information taken from the Company's financial statements prior to the release of the financial statements to the public. In addition, the CFO must review with the Committee the substance of any presentations to analysts or rating agencies that contain a change in strategy or outlook.

## **Oversight**

(a) To review the internal audit staff functions, including:

(i) The purpose, authority and organizational reporting lines;

(ii) The annual audit plan, budget and staffing; and

(iii) The appointment and compensation of the controller, if any. (b) To review, with the CFO and others, as appropriate, the Company's internal system of audit controls and the results of internal audits.

(c) To review and monitor the Company's major financial risks and risk management policies and the steps taken by management to mitigate those risks.

(d) To meet at least annually with management (including the CFO), the internal audit staff, and the external auditor in separate executive sessions and review issues and matters of concern respecting audits and financial reporting.

(e) In connection with its review of the annual audited financial statements and interim financial statements, the Committee will also review the process for the CEO and CFO certifications (if required by law or regulation) with respect to the financial statements and the Company's disclosure and internal controls, including any material deficiencies or changes in those controls.

## **Membership**

(a) The Committee shall consist solely of three or more members of the Board, the majority of which the Board has determined has no material relationship with the Company and is otherwise "unrelated" or "independent" as required under applicable securities rules or applicable stock exchange rules.

(b) Any member may be removed from office or replaced at any time by the Board and shall cease to be a member upon ceasing to be a director. Each member of the Committee shall hold office until the close of the next annual meeting of shareholders

of the Company or until the member ceases to be a director, resigns or is replaced, whichever first occurs.

(c) The members of the Committee shall be entitled to receive such remuneration for acting as members of the Committee as the Board may from time to time determine.

(d) All members of the Committee must be "financially literate" (i.e., have the ability to read and understand a set of financial statements such as a balance sheet, an income statement and a cash flow statement).

## **Procedures**

(a) The Board shall appoint one of the directors elected to the Committee as the Chair of the Committee (the "Chair"). In the absence of the appointed Chair from any meeting of the Committee, the members shall elect a Chair from those in attendance to act as Chair of the meeting.

(b) The Chair will appoint a secretary (the "Secretary") who will keep minutes of all meetings. The Secretary does not have to be a member of the Committee or a director and can be changed by simple notice from the Chair.

(c) No business may be transacted by the Committee except at a meeting of its members at which a quorum of the Committee is present or by resolution in writing signed by all the members of the Committee. A majority of the members of the Committee shall constitute a quorum, provided that if the number of members of the Committee is an even number, one-half of the number of members plus one shall constitute a quorum, and provided that a majority of the members must be "independent" or "unrelated".

(d) The Committee will meet as many times as is necessary to carry out its responsibilities. Any member of the Committee or the external auditor may call meetings.

(e) The time and place of the meetings of the Committee, the calling of meetings and the procedure in all respects of such meetings shall be determined by the Committee, unless otherwise provided for in the articles of the Company or otherwise determined by resolution of the Board.

(f) The Committee shall have the resources and authority necessary to discharge its duties and responsibilities, including the authority to select, retain, terminate, and approve the fees and other retention terms (including termination) of special counsel, advisors or other experts or consultants, as it deems appropriate. (g) The Committee shall have access to any and all books and records of the Company necessary for the

execution of the Committee's obligations and shall discuss with the CEO or the CFO such records and other matters considered appropriate.

(h) The Committee has the authority to communicate directly with the internal and external auditors.

## **Reports**

The Committee shall produce the following reports and provide them to the Board:

- (a) An annual performance evaluation of the Committee, which evaluation must compare the performance of the Committee with the requirements of this Charter. The performance evaluation should also recommend to the Board any improvements to this Charter deemed necessary or desirable by the Committee. The performance evaluation by the Committee shall be conducted in such manner as the Committee deems appropriate. The report to the Board may take the form of an oral report by the Chair or any other member of the Committee designated by the Committee to make this report.
- (b) A summary of the actions taken at each Committee meeting, which shall be presented to the Board at the next Board meeting.

## **Item 2: Composition of the EnerSpar Audit Committee**

The current members of the EnerSpar Audit Committee are Peter Andrews (Chair) and John-Peter Bradford, both of whom are "independent" and "financially literate", in each case as defined by NI 52-110.

NI 52-110 provides that a member of an audit committee of an issuer is "independent" if the member has no direct or indirect material relationship with the issuer, which could, in the view of the directors of the issuer, reasonably interfere with the exercise of the member's independent judgment.

NI 52-110 further provides that an individual is "financially literate" if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the issuer's financial statements.

## **Item 3: Relevant Education and Experience**

The following is a description of the education and experience of each member of the EnerSpar Audit Committee that is relevant to the performance of his responsibilities as an EnerSpar Audit Committee member and, in particular, any education or experience that would provide the member with:

1. an understanding of the accounting principles used by EnerSpar to prepare its financial statements;
2. the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and reserves;
3. experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by EnerSpar's financial statements, or experience actively supervising one or more persons engaged in such activities; and
4. an understanding of internal controls and procedures for financial reporting.

**Peter Andrews, Director and Chair of the EnerSpar Audit Committee**

Mr. Andrews is the President of PRA Consulting Inc., a private consulting firm. He is the past Executive Vice President, Business Development of CSDC Systems Inc., a provider of enterprise solutions for improving compliance, governance, accessibility and process automation. He served as Chief Executive Officer and President of Grantium Inc. from April 2005 to April 2010 and is considered financially literate/

**John-Peter Bradford PhD, Member of the Audit Committee**, Mr. Bradford has served as the CEO, Executive Chair, board member and business advisor for public and private companies in various industries. He coordinated the development of the Inuit land claim, and was a principal advisor for infrastructure renewal at the Canadian House of Commons, Supreme Court of Canada, Canadian Commercial Corporation, Medical Research Council of Canada, Immigration Refugee Board and others and is a Fellow of the Institute of Certified Management Consultants of Ontario.

Mr. Bradford is considered to be financial literate.

**James Richardson CA CPA FIPA, Member of the Audit Committee**

Mr. Richardson is a Canadian Chartered Accountant and is or has been the CFO of several listed public companies and, as such, is financially literate.

**Item 4: EnerSpar Audit Committee Oversight**

The EnerSpar Audit Committee meets regularly with Mr. Richardson, the Chief Executive Officer of EnerSpar, who is a Chartered Professional Accountant a Chartered

Accountant and Certified Public Accountant and former Partner of Ernst & Young (Canada and Singapore) and KPMG (UK) .He has been able to provide additional guidance to the EnerSpar Audit Committee in all of its deliberations and procedures. In view of the early stage of EnerSpar, the periodic reporting of the EnerSpar Audit Committee's meetings and deliberations and its oversight reporting to the EnerSpar Board has been direct and immediate by virtue of all members of the EnerSpar Board having participated in those deliberations of the EnerSpar Audit Committee. Since the commencement of EnerSpar's most recently completed financial year, there has not been a recommendation of the EnerSpar Audit Committee to nominate or compensate an external auditor which was not adopted by the EnerSpar Board.

#### **Item 5: Reliance on Certain Exemptions**

Since the commencement of EnerSpar's most recently completed financial year, EnerSpar has relied on:

1. the exemption in section 2.4 (De Minimis Non-audit Services) of NI 52-110 (which exempts all non-audit services provided by EnerSpar's auditor from the requirement to be pre-approved by the EnerSpar Audit Committee if such services are less than 5% of the auditor's annual fees charged to EnerSpar, are not recognized as non-audit services at the time of the engagement of the auditor to perform them and are subsequently approved by the EnerSpar Audit Committee prior to the completion of that year's audit);

But has not relied on:

2. the exemption in subsection 6.1.1(4) (Circumstance Affecting the Business or Operations of the Venture Issuer) of NI 52-110 (an exemption from the requirement that a majority of the members of the EnerSpar Audit Committee must not be executive officers, employees or control persons of EnerSpar or of an affiliate of EnerSpar if a circumstance arises that affects the business or operations of EnerSpar and a reasonable person would conclude that the circumstance can be best addressed by a member of the EnerSpar Audit Committee becoming an executive officer or employee of EnerSpar);
3. the exemption in subsection 6.1.1(5) (Events Outside Control of Member) (an exemption from the requirement that a majority of the members of the EnerSpar Audit Committee must not be executive officers, employees or control persons of EnerSpar or of an affiliate of EnerSpar if an EnerSpar Audit Committee member becomes a control

person of EnerSpar or of an affiliate of EnerSpar for reasons outside the member's reasonable control);

4. the exemption in subsection 6.1.1(6) (Death, Incapacity or Resignation) (an exemption from the requirement that a majority of the members of the EnerSpar Audit Committee must not be executive officers, employees or control persons of EnerSpar or of an affiliate of EnerSpar if a vacancy on the EnerSpar Audit Committee arises as a result of the death, incapacity or resignation of an EnerSpar Audit Committee member and the EnerSpar Board was required to fill the vacancy); or

5. an exemption from the requirements of NI 52-110, in whole or in part, granted by a securities regulator under Part 8 (Exemptions) of NI 52-110. EnerSpar is a "venture issuer" for the purposes of NI 52-110. Accordingly, EnerSpar is relying upon the exemption in section 6.1 of NI 52-110 providing that EnerSpar is exempt from the application of Part 3 (Composition of the Audit Committee) and Part 5 (Reporting Obligations) of NI 52-110.

**Item 6: Pre-Approval Policies and Procedures**  
The EnerSpar Audit Committee has not adopted formal policies and procedures for the engagement of non-audit services. Subject to the requirements of the NI 52-110, the engagement of non-audit services is considered by, as applicable, the EnerSpar Board and the EnerSpar Audit Committee, on a case by case basis.

**Item 7: External Auditor Service Fees (By Category)** The following table sets out the aggregate fees charged to EnerSpar by the external auditor in each of the last two financial years (December 31, 2019 and 2018) for which audits have been completed for the category of fees described.

	Financial Year End 2019	Financial Year End 2018
Audit Fees	\$9,000	\$8,250
Audit Related Fees	Nil	Nil
Tax fees	\$1,250	\$1,250
All other fees	\$1,500	Nil
Total fees	\$11,750	\$9,500

- (1) "Audit fees" include aggregate fees billed by EnerSpar external auditor in each of the last two financial years (December 31, 2019 and 2018) for which audits have been completed, for audit fees.
- (2) "Audited related fees" include the aggregate fees billed in each of the last two financial years (December 31, 2019 and 2019) for which audits have been completed, for assurance and related services by EnerSpar's external auditor that are reasonably related to the performance of the audit or review of EnerSpar's financial statements and are not reported under "Audit fees" above. The services provided include employee benefit audits, due diligence assistance, accounting consultations on proposed transactions, internal control reviews and audit or attest services not required by legislation or regulation.
- (3) "Tax fees" include the aggregate fees billed in each of the last two financial years (December 31, 2019 and 2018) for which audits have been completed, for professional services rendered by EnerSpar's external auditor for tax compliance, tax advice and tax planning. The services provided include tax planning and tax advice includes assistance with tax audits and appeals, tax advice related to mergers and acquisitions, and requests for rulings or technical advice from tax authorities.
- (4) "All other fees" include the aggregate fees billed in each of the last two financial years (December 31, 2019 and 2018) for which audits have been completed, for products and services provided by EnerSpar's external auditor, other than "Audit fees", "Audit related fees" and "Tax fees" above.

## **Corporate Governance**

EnerSpar believes that adopting and maintaining appropriate governance practices is fundamental to a well-run company, to the execution of its chosen strategies and to its successful business and financial performance.

### **National Instrument 58-101 - Disclosure of Corporate Governance Practices and National Policy 58-201**

Corporate Governance Guidelines (collectively the "Governance Guidelines") of the Canadian Securities Administrators set out a list of non-binding corporate governance guidelines that issuers are encouraged to follow in developing their own corporate governance guidelines. In certain cases, EnerSpar's practices comply with the guidelines, however, the EnerSpar Board considers that some of the guidelines are not suitable for

EnerSpar at its current stage of development and therefore these guidelines have not been adopted. EnerSpar will continue to review and implement corporate governance guidelines as the business of EnerSpar progresses and becomes more active in operations.

The following disclosure is required by the Governance Guidelines and describes EnerSpar's approach to governance and outlines the various procedures, policies and practices that EnerSpar and the EnerSpar Board have implemented.

## **Form 58-101F2 - Corporate Governance Disclosure (Venture Issuers)**

### **Item 1: Board Of Directors**

The EnerSpar Board is currently composed of four directors.

"Form 58-101F2" requires disclosure regarding how the EnerSpar Board facilitates its exercise of independent supervision over management of EnerSpar by providing the identity of directors who are independent and the identity of directors who are not independent and the basis for that determination.

NI 52-110 provides that a director is independent if he or she has no direct or indirect "material relationship" with the company. "Material relationship" is defined as a relationship which could, in the view of the EnerSpar Board, be reasonably expected to interfere with the exercise of a director's independent judgment. In addition, under NI 52-110, an individual who is, or has been within the last three years, an employee or executive officer of an issuer, is deemed to have a "material relationship" with the issuer.

Accordingly, of the directors, Mr. Richardson, the President and Chief Executive officer of EnerSpar, and Mr. Arnold, the Chief Financial Officer of EnerSpar, are each considered not to be "independent". The remaining two directors are considered by the EnerSpar Board to be "independent" within the meaning of NI 52-110. In assessing Form 58-101F2 and making the foregoing determinations, the EnerSpar Board has examined the circumstances of each director in relation to a number of factors.

## Item 2: Directorships

The following directors of EnerSpar are also currently directors of the following reporting issuers:

Director	Name of reporting Issuer
James Richardson	BacTech Environmental Corporation Graphano Energy Limited Great Lakes Graphite Inc. MN Manganese X Energy Corp WaterWays Technologies Inc.
John Arnold	Newport Gold Inc.

## Item 3: Orientation and Continuing Education

The EnerSpar Board does not have a formal process for the orientation of new members. Orientation is done on an informal basis. New board members are provided with such information as is considered necessary to ensure that they are familiar with EnerSpar's business and understand the responsibilities of the EnerSpar Board. The EnerSpar Board does not have a formal program for the continuing education of its directors. EnerSpar expects its directors to pursue such continuing education opportunities as may be required to ensure that they maintain the skill and knowledge necessary to fulfill their duties as members of the EnerSpar Board. Directors can consult with EnerSpar's professional advisors regarding their duties and responsibilities, as well as recent developments relevant to EnerSpar and the EnerSpar Board. Additionally, historically board members have been nominated who are familiar with EnerSpar and the nature of its business.

## Item 4: Ethical Business Conduct

Management makes no representation relating to the establishment and maintenance of ethical business conduct by its management or members of its Board of Directors.

## Item 5: Nomination of Directors

The identification of potential candidates for nomination as directors of EnerSpar is primarily done by the Chief Executive Officer, but all directors are encouraged to participate in the identification and recruitment of new directors. Potential candidates are primarily identified through referrals by business contacts.

**Item 6:**

The compensation of directors and NEOs is determined by the EnerSpar Board as a whole. Such compensation is determined after consideration of various relevant factors, including the expected nature and quantity of duties and responsibilities, past performance, comparison with compensation paid by other issuers of comparable size and nature, and the availability of financial resources. To date, other than grants of options, no compensation has been paid to Directors or Committee Members. For a more detailed description of the compensation of the NEOs and the directors of EnerSpar, see the section entitled "Statement of Executive Compensation"

**Item 7: Other Board Committees:**

There are no Board Committees other than the Audit Committee which serves also as a Governance Committee.

**Item 8: Assessments**

The EnerSpar Board does not have any formal process for assessing the effectiveness of the EnerSpar Board, its committees, or individual directors. Such assessments are done on an informal basis by the Chief Executive Officer and the EnerSpar Board as a whole.

**Disclosure Controls and Procedures**

Management makes no representation relating to the establishment and maintenance of Disclosure Controls and Procedures and Internal Controls Over Financial Reporting.

**Timely Disclosure, Confidentiality and Insider Trading Policy**

Management has adopted a policy to ensure that EnerSpar Corp. and all persons to whom this Policy applies meet their obligations under the provisions of security laws and stock exchange rules by establishing a process for the timely disclosure of all Material Information.

(i) This policy covers disclosures in documents filed with the securities regulators and written statements made in the Company's annual and quarterly reports, news releases, letters to shareholders, presentations by Directors, Officers, Employees or Contractors and information contained on the Company's website and other electronic communications. It extends to oral statements made in meetings and telephone conversations with analysts and investors, interviews with the media as well as speeches, press conferences and conference calls and any other public disclosures on behalf of the Company, the content of which would reasonably be expected to affect the market value or price of any security of the Company.

(ii) all persons to whom this Policy applies understand their obligations to preserve the confidentiality of Undisclosed Material Information (as defined therein):

(iii) all appropriate parties who have Undisclosed Material Information are prohibited from Insider Trading (as defined herein) and Tipping (as defined therein) under applicable law, stock exchange rules and this policy; and

(iv) communications to the investing public about the Company are timely, factual, accurate, complete and not misleading, and broadly disseminated in accordance with all applicable legal and regulatory requirements.

**Proposed Transactions:**

Management is continuously examining potential acquisitions or options of additional properties as they are presented to the Company. No such transactions other than the Mindfull Capital Inc. Business Combination Agreement are presently pending. If the Company makes any commitments as a result of such transactions, it would be announced by way of a prompt press release.

**Additional Disclosure for Venture Companies without Significant Revenue**

This Management's Discussion and Analysis document covers the period from January 1 – December 31, 2019 and up to its original filing date of June 15, 2020 as amended on January 31, 2021, but only with respect to those specifics of the amendments required and NOT generally updated beyond its original filing date of June 15, 2020. The comparative information normally set out under this heading is fully disclosed in the audited annual statements for the year ended December 31, 2019.

**Off Balance Sheet Arrangements**

There are no off-balance sheet arrangements as at June 15, 2020 and January 31, 2021.

**Other:**

**Possible effects of climate change on the Company's operations.**

The Company continues to examine the potential impact of climate change on the development of the Johan Beetz property which has direct access to the Gulf of St Lawrence. In that predicting precisely how the climate may change in this area is an inexact science at this time, the Company has determined that several scenarios could develop. If the climate becomes warmer and drier, access to the site may be easier and less expensive to explore and develop as low-lying areas, which can be wet may become drier, thus more easily traversed. Conversely, if the climate were to become warmer and wetter with low lying areas becoming wetter, access and development costs could increase due to additional construction costs of access roads.

If the winter season were to become shorter, the time for easy and inexpensive access to drilling sites across frozen ground could be reduced thus reducing the window of opportunity to easily and relatively inexpensively access drill sites.

If sea levels rise, as is being predicted, the Company could need to raise its load out dock to accommodate vessels as a result of the rising water level. Additionally, for every 1 centimetre of sea level rise, the minable depth of the proposed quarry would be reduced by a corresponding amount. The resource drilling was done to sea level (approx. 3100 centimetres of vertical depth) and flooding could result if the quarry floor were below sea level thus possibly reducing the volume of accessible mineral. There has been no change in our estimation of the possible effects of climate change on the company's operations in the past year.

As we have stated in the past, EnerSpar's exploration plans and plans for further engagement with First Nation contractors and personnel located in the area wherever possible, continue to develop. It is the Company's intent to continue the recommended exploration program in a new wholly owned subsidiary which has been created specifically to hold the exploration assets and liabilities of EnerSpar, all of the share of which will be dividended to the current shareholders of EnerSpar concurrent with the completion of EnerSpar and Mindfull Capital Inc. transaction and is subject to receipt of satisfactory tax, corporate and securities law advice and all regulatory approvals.

## **Critical Accounting Policies and Estimates**

### **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 judgments and estimates relate to, but are not limited to, the following:

- (i) the assessment of the going concern presumption to the financial statements and:
- (ii) the calculation of the fair value of share-based payments and equity settled transactions requiring the use of estimates of inputs in the Black-Scholes option pricing valuation model.

### **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. 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.

### **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, restricted cash and cash equivalents are classified as FVTPL.

### **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, flow through premium liability and financing proceeds when held in escrow are classified as other financial liabilities.

### **Financial Instruments and Other Instruments**

The Company’s financial instruments consist of cash, and accounts payable and accrued liabilities. It is management’s opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments and that the fair value of these financial instruments approximates their carrying values.

### **Risks and Uncertainties**

The Company has a limited history of existence. There can be no assurance that the Company will be able to obtain adequate financing to continue its exploration beyond the first-year program. The securities of the Company should be considered a highly speculative investment. The following risk factors should be given special consideration when evaluating an investment in any of the Company's securities:

The acquisition of a resource property exposes the Company to all of the inherent risks of activity in the resource world including fluctuating commodity and other resource prices, exploration risk, environmental risk, management risk, and potentially construction, financing, production, safety and other execution risks if the Company were to go beyond the exploration stage and seek to put a resource project into production.

### **Disclosure of Outstanding Share Data**

As at the date of this MD&A, the following is a description of the outstanding equity securities and convertible securities previously issued by the Company:

#### **Voting or equity securities:**

<b>Authorized:</b>	Unlimited Common Shares
	Unlimited non-voting Preferred shares

#### **Outstanding:**

Common Shares.	25,360,000
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#### **Warrants:**

The Company had 6,861,000 broker and share purchase warrants expiring June 7 and June 12, 2018 all of which expired unexercised.

#### **Options:**

There are 175,000 options outstanding.

### **Subsequent Events**

On February 26, 2020 EnerSpar and Mindfull signed an additional amendment to the Business Combination Agreement extending the date of closing to no later June 30, 2020. The companies agreed to certain cash payments including monthly payments of \$15,000 and a sliding scale of remuneration to EnerSpar dependent on the price of shares issued by Mindfull simultaneously to the closing of the Transaction with EnerSpar.

On June 22, 2020, Mindfull Capital filed a proposal to its creditors. EnerSpar was listed as an unsecured creditor owing to MindFull having disclaimed the BCA and in consideration of the Break Fee included therein. Subsequent to the quarter end, the Company received from the

Trustee of MindFull's Proposal the amount of \$24,700 net of fees as a result of the Mindfull Proposal having been accepted unanimously by its creditors. The proposed Business Combination Agreement with Mindful Capital was terminated. This settlement was recognized in the 2<sup>nd</sup> quarter of 2020.

**Other Information**

Additional information about the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com) as well as on the Company's website at [www.enerspar.com](http://www.enerspar.com).

The Board welcomes questions and comments from shareholders and others.

**Dated**

June 15, 2020 and as amended January 31, 2021 with respect only to certain specifics as set out above.