

EnerSpar Corp. (ENER)

Company Report – October 07, 2017

EnerSpar Corporation is an exploration company focused on industrial minerals oriented to today's and future energy requirements. The Company recently acquired the Johan Beetz property, which is a former producer of potassic and sodic feldspar with considerable geological inventory of these feldspar minerals. Potassic feldspars are especially significant as a hardening agent in the booming solar panels and solar shingles markets.

Although feldspars are the most abundant materials on the surface of the earth, the two types of feldspar found on the Johan Beetz property (Na-spar and K-spar) are the rarest and also the most expensive ones. In fact, there are NO operating feldspar mines throughout North America that produce the high quality material found at Johan Beetz.

EnerSpar recently commenced exploration work on the Johan Beetz property, which should result in an NI 43-101 resource estimate in 2018 (an initial 43-101 Technical Report was completed earlier in 2017 and is available on the Company's website). According to the management of the Company, this event should lead to a decision to sell the project or take it into production.

We initiate coverage of EnerSpar Corp. with a buy recommendation and a price target of \$0.13, which is 189% above today's stock price.



- ▣ The Johan Beetz property is situated in a mining friendly jurisdiction. Quebec, after all, is known as one of the most mining friendly regions in North America. In fact, a company with projects in Quebec typically gets premium ratings as a result of the predictability of the regulatory environment.
- ▣ In addition, the property is easily accessible by Hwy 138, which connects the town of Johan Beetz to the town of Havre St. Pierre and Sept Isles. This highway and the adjacent power transmission lines are under 2 km away. Furthermore, the property has its own large docking facility, which provides easy access to the eastern seaboard and Great Lakes of North America, where the main distribution points (Newark, New Jersey and Savannah, Georgia) are located for imported feldspar and the new Solar City/Tesla gigafactory in Buffalo, NY.



THE COMPANY

EnerSpar Corp. - originally a Capital Pool Corporation (CPC) - acquired the Johan Beetz Feldspar Property from Globex Mining Enterprises Inc. in March 2017 as its Qualifying Transaction. While completing the Qualifying Transaction, the Company changed its name from Walmer Capital Corp. to EnerSpar Corp. The Company also completed two private placements in December 2016 for total gross proceeds of \$868,000.

EnerSpar acquired a 100% interest in the Johan Beetz mineral property for consideration of:

- \$100,000
- 2,000,000 EnerSpar shares @ \$.05 each, and
- a 2.5% Gross Metal Royalty.

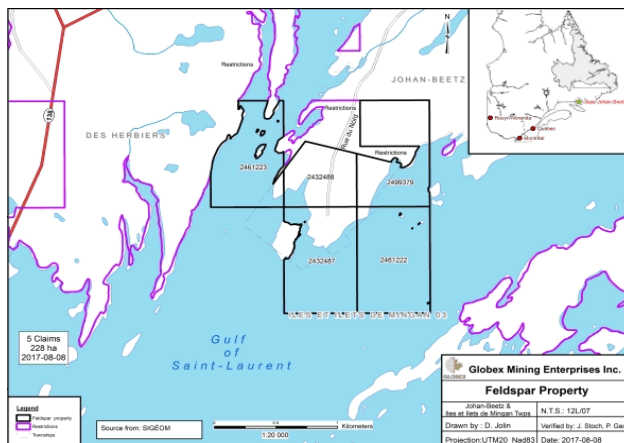
The Johan Beetz property consists of 5 mining claims totalling 228 ha, which are located directly on tidewater on the North Shore of the St. Lawrence River, 2.5 kilometres (1.5 miles) east of the village of Johan Beetz. Access to the property is by Hwy 138, which connects the town of Johan Beetz to the town of Havre St. Pierre and Sept Isles. Power transmission lines are also nearby.



Regional Location Map of the Johan Beetz Feldspar Property.

With its own large docking facility, the property provides easy access to the eastern

seaboard of North America, where the main distribution points (Newark, New Jersey and Savannah, Georgia) are located for imported feldspar. This gives a huge transport cost advantage to EnerSpar.



The claims are located directly on the north shore of the Gulf of St. Lawrence.

Feldspars consist of aluminum silicates combined with varying percentages of potassium, sodium and calcium. The two types of feldspar that are commonly found on the Johan Beetz property are sodic (Na) feldspar (7 % or higher Na₂O) and potassic (K) feldspar (8% - 10% or higher K₂O).

These types of feldspar are the rarest. In fact, according to the Company's management, there are NO operating feldspar mines throughout North America that produce the high quality material found at Johan Beetz.

Potassic feldspar is the most valuable of feldspars and is mainly used in ceramics, white wares and most recently the booming PV glass and solar panel industries.

Feldspar is not a quoted commodity as it is usually negotiated by contract. The advantage is that those contract prices tend to be more stable and not fluctuate with the capriciousness that is often found in the precious metals market. Depending on the quality and grade of the feldspars, the price is typically somewhere between \$100 and \$450 a ton.

EnerSpar recently commenced exploration work on the Johan Beetz property, which should result in an NI 43-101 resource estimate report in 2018.

According to the management of the Company, this event should lead to a decision to sell the project or take it into production.

In late July, 2017, the Company also obtained a listing on the Frankfurt Stock Exchange under the symbol 5E0 and has commenced trading thereon.

FELDSPAR – A VERY COMMON BUT UNKNOWN MINERAL

Feldspar is the name given to a group of minerals distinguished by the presence of alumina and silica (SiO₂) in their chemistry. It is the single most abundant mineral group on Earth, as it accounts for an estimated 60% of exposed rocks, as well as soils, clays, and other unconsolidated sediments.

Feldspar is mined from large granite bodies (called plutons by geologists), from pegmatites (formed when the last fluid stages of a crystallizing granite becomes concentrated in small liquid and vapor-rich pockets that allow the growth of extremely large crystals), and from sands composed mostly of feldspar.



Pegmatite dykes, expressed as tall whale-back ridges, show massive and coarse grained textures with feldspar (fsp), quartz (qtz) and both white and dark micas.

Because feldspar is such a large component of the Earth's crust, it is assumed that the supply of feldspar is more than adequate to meet demand for a very long time to come. However, some types of feldspar are not

abundant elements on Earth, such as Na-spar and K-spar, the two types which are found on the Johan Beetz property. Na-spar is the 2nd rarest form of feldspar, while K-spar is the rarest of all feldspars.

Applications

The ceramic and glass industries are the major consumers of feldspar, as they account for 95% of the total consumption.

In ceramics, the alkalis in feldspar such as calcium, potassium and sodium oxides act as a flux, lowering the melting temperature of a mixture. Fluxes enhance melting at an early stage in the firing process, forming a glassy matrix that bonds the other components of the system together, thereby reducing process energy costs. Its best known uses in the ceramics area are for bath and kitchen items such as toilets, sinks and flooring.

In glassmaking, alumina from feldspar improves product hardness, durability, and resistance to chemical corrosion. 90% of all glass windows (flat glass) are made with Na-spar. For example, flat glass for car glass windows, television and computer screens, car headlamps, etc.

To some extent feldspars are also used as a filler and extender in paint, plastics, and rubber.

More recently however, feldspar's application in solar cell panel fabrication has become a huge growth market.

The world of solar panels is evolving into four branches. The first is the traditional solar panel, and the three new branches are roof tiles (shingles integrating the functions of a normal shingle and a solar panel PV generator), thermal windows, and security windows.

Tesla's CEO Elon Musk has recently made the claim that SolarCity's new solar roof tiles will be cheaper than a conventional roof even without factoring in the cost of electricity saved.

These roof tiles are made of tempered glass, weigh as little as a fifth of current products,

are virtually indistinguishable from high-end roofing products and they transform sunlight into power for your home. Even more importantly, they are more than three times stronger than standard roofing tiles a fact that's very important in areas with risk of hail. For this reason, the roof tiles are also warrantied for the lifetime of a user's house.

Four different styles of solar shingles are being built in SolarCity's "gigafactory" in Buffalo, NY. The roof tile system will allow residential homeowners to replace their entire roof with solar panels connected to a battery pack, making it much simpler for homes to be entirely powered by solar power.

Although SolarCity only recently started taking orders for solar shingles, it already signed several multi-million dollar contracts. For example, it will convert 100 Whole Foods stores and also the U.S. Navy is converting five naval bases that are located in the east coast states of Connecticut, New Jersey, New York, and Rhode Island, to solar.

The new group of rooftop solar installations is part of the Navy's contribution to SolarStrong, which is the Defense Department's \$1 billion initiative with SolarCity to bring rooftop solar to its military housing.

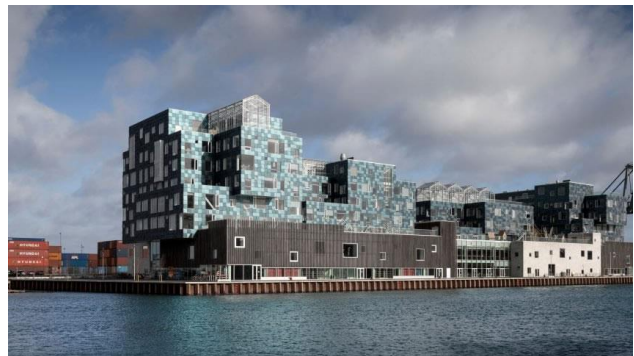


The 1.2 million-square-foot facility in Buffalo, NY, is the biggest solar-panel factory in the western hemisphere.

Second, **solar thermal windows** enable entire buildings to be constructed with solar glass. A prime example of the use of this technology is the new Copenhagen International School in Denmark. It required 12,000 solar window panels, which are resistant to shock, have strong sunlight permeability and allow higher transmission and uniformity from sunlight to energy storing cells.

The so-called Kromatix patented technology provides colored solar glass for both photovoltaic and thermal solar panels. The technology has been developed in close collaboration with the Swiss Federal Institute of Technology and offers an attractive alternative to the typical black and dark blue solar panels, without compromising on the performance.

Several other buildings are already completed or under construction in countries such as Switzerland, Spain, France and Italy.



The Copenhagen International School is covered with 12,000 solar window panels.

The final branch is **tempered solar glass for security windows**. They are specifically used for hurricane protection and safety. They fortify vulnerable solar panels with protection against theft and accidents in industrial, commercial and residential applications.

Most importantly, the future of the above three branches depends on a continuing supply of K-spar and Na-spar, as they ensure the tempered glass to last longer and be difficult to break.

Supply & Demand

About 21.5 million tonnes of feldspar were estimated to have been produced globally in 2014, mostly by three countries: Turkey (5.0 Mt), Italy (4.7 Mt), and China (2.1 Mt). The world feldspar trade is estimated to be worth between \$US1.6 and \$1.8 Billion.

Included in the world production of feldspar is an estimated annual production of about 4.3 Mt of high potassium feldspar (K-spar) that commands a premium price.

The worldwide market for feldspar is projected to reach 25.6 million tonnes by 2022, driven primarily by the growing global focus on solar energy. Consequently, the production of solar glass used in solar cells is expected to spur consumption of feldspar.

In the US, about 60% of feldspar is consumed in glassmaking, including glass containers and glass fiber. Ceramics (including electrical insulators, sanitaryware, pottery, tableware and tile) and other uses, such as fillers, accounted for the remaining 40%. Feldspar usage in glass and fiberglass applications remained relatively stable, though beverage container recycling continued to gain headway against new glass production.

Imerys S.A., a French multinational company which specializes in the production and processing of industrial minerals, closed the final major potassic feldspar production site in the United States in December 2013. The company had previously been supplying over 50% of U.S. production. Imerys' lost production, the highest quality K-spar, is being made up by imports of Spanish feldspar at US\$400 to US\$450 per ton, plus shipping.

THE JOHAN BEETZ PROJECT

The Johan Beetz property was named after a Canadian naturalist of Belgian origin who settled in this area in 1897.

Industrial scale and quality feldspar has been known to occur in pegmatites in the Johan Beetz area for a century. In the early 1920s the first extraction of feldspar was reported from the property. Some 3,038 tons were mined worth about \$17,000 at that time.

In 1953 Spar-Mica Corporation Ltd. became the owner of the Johan Beetz property. Actual operations were started up in 1955, including leveling of the mill site, mill and wharf construction and preliminary mining. A large shed was constructed to store mineral processed in winter for the coming shipping season. In addition, Spar-Mica spent several million dollars on a new and innovative electromagnetic separation plant.

The mill was started-up in 1957 at a rate of 100 ton per hour using crushing (16 mesh)

and drying, followed by electromagnetic and electrostatic separation. However, the plant was shut down after only three years of operation, reportedly due to contamination of the concentrate in shipping (reportedly from failure to clean the vessel) and technical issues.



Variable white-beige-pink color in the pegmatites depends on the local sodium and/or potassium feldspar composition.

Stuart Lee in 1990 reported that a total of 25,000 tons of feldspar-quartz concentrate was produced and shipped from the Spar-Mica operation, but that a total of 150,000 tons was mined from 6 quarries on the property.

Two series of metallurgical testing programs were conducted by I.M.D. Laboratories for Canspar Resources in 1989 and 1994. Both test programs were designed to assess feldspar and mica separation and recovery. Tests were conducted on core samples from 15 holes drilled by Canspar in 1991 and samples taken from surface pits.

These tests showed good separation efficiencies and that a high quality feldspar product could be produced from the submitted samples. The feldspar concentrate at 10.5% K₂O, 0.07% Fe₂O₃ content was judged to be very clean, and an overall feldspar recovery of well over 90% appeared likely. Further work to optimize the process is required though. This should include additional work on mica extraction and separation of potassium and sodium feldspar.

No exploration or technical evaluation has occurred on the Johan Beetz Feldspar since 1996 prior to EnerSpar's return to the property July 2017.

Some infrastructure from the Spar-Mica mineral operation remains on the Johan Beetz property. For example, the concrete pads of the mill, storage and several ancillary buildings remain at the site. Also a deep water loading wharf remains in place but is in need of refurbishment.



A currently disused loading dock, which extends into the river from the property, was used in the 1950s by Spar-Mica Ltd. to facilitate bulk feldspar shipments.

Historic Resource

Several mineral resources or reserves have been quoted in literature related to the Johan Beetz property. Historic resource and resource estimates by various authors (Hobby 1954, Germain 1956 and Hurtubise 1993) were produced prior to the application of National Instrument (NI) 43-101 – Standards of Disclosure for Mineral Projects and are therefore to be considered historic in nature.

Hobby in 1954 estimated 19,400,000 tons of 'ore' with a range of 40% to 60% feldspar although no rationale for the estimate was provided.

Similarly, Hurtubise in 1993 refers to a 'reserve' of 13,650,000 tonnes but offers no estimate calculation or metallurgical parameters information source in support.

The most detailed estimate is by Germain in 1956 building on previous work by Hobby and Gemmell.

Mr. Germain prepared an independent technical report for Spar-Mica that provided a

feldspar grade and certain other mineral characteristics for the area. His findings were mainly based on 25 vertical drill holes, totalling 1,578 feet, which were drilled in 1955. These holes targeted short term development of feldspar ore and explored longer range resources for the Spar-Mica plant.

A total 'reserve' of 33.4 million tons containing 16 million tons of 'commercial spar' was calculated by Germain.

Description – Non 43-101	Tons
Indicated by Diamond Drilling	8,547,334
Probable Ore	20,245,005
Possible Ore	4,607,000
Total Ore Reserves	33,399,339
Johan Beetz feldspar reserve for Spar-Mica. Source: 1956 Germain Technical Report.	

Germain calculated 'commercial feldspar' available on the mining concession volumetrically and applied the following factors to the gross tonnages estimated: waste (10%); feldspar recovery (80%); and feldspar content (60%) based on major oxide ratios adjusted for K₂O in mica. He subsequently allowed for a 10% dilution by quartz.

Germain again derived his (60%) feldspar content from whole rock analyses of the 1955 drill holes. Each alkali oxide: CaO, K₂O, Na₂O was averaged. The average K₂O was adjusted for K₂O reporting to mica and all oxides were recalculated to feldspar giving a total feldspar content in pegmatite of 59.78%.

Work Program Commenced

A two-phase program comprised of \$350,000 in the first phase and \$650,000 in the second phase is proposed for the initial assessment of the Johan Beetz feldspar deposit.

Initial exploration work recommended in Phase 1 will obtain geological information via core drilling and surface sampling to deliver a comprehensive and detailed geological and mineralogical understanding of the property's feldspar endowment. Phase 1 will also include initial metallurgical test work which can be used to guide additional drilling in Phase 2.

Drilling and surficial sampling in the initial program should deliver adequate volumes of sample materials to enable the completion of the proposed Phase 1 metallurgical testing and for follow-up optimization studies in advance of industrial scale or feasibility scale evaluation.

In July, 2017 the Company retained IOS Services Géoscientifiques Inc. to implement the exploration and development program.

About a month ago, IOS completed the first phase of the program. Work consisted of a detailed mapping of the property with special reference to the sites of past production, plus magnetometric and spectrometric surveys. The program will provide a comprehensive understanding of the multiple mineralized zones and aims to provide a detailed distribution of sodic and potassic pegmatites along with contaminant repartition.

A total of 125 channel samples were collected with the use of a rock saw and are currently being processed for feldspar staining, modal counting and whole rock analysis.

Their work in this initial program will provide guidance for an initial drilling program later this year and has provided initial samples to commence the appropriate metallurgical research.

EnerSpar Corporation intends to expend about \$1,000,000 on exploration in the two-phase program.

FINANCIALS

Operating expenses during the quarter of \$72,102 consisted primarily of legal and other professional fees of \$37,179 (including costs of Closing the Qualifying Transaction and attendant Issues of shares), \$8,182 of office expenses, \$2,000 in property costs and a \$22,740 **non-cash** cost of incentive option grants.

Operating expense for the six month period of \$319,684 include \$222,000 property acquisition costs, professional fees of \$38,798, \$10,176 of shareholder communication, office and transfer fee costs and \$25,970 in filing fees.

	06/30/17	06/30/16
Professional Fees	37,139	4,000
Cost of Incentive Option Grants (non-cash)	22,740	-
Printing, Courier, and other Overheads	7,968	-
Loss from Operations	72,102	5,673
Total Comprehensive Loss	71,886	5,673
Selected income statement data for the quarters ending June 30, 2017 and June 30, 2016. Source: Company Filing		

Balance Sheet as of June 30, 2017

Cash and cash equivalents consists of cash and cash equivalents previously held in escrow related to the hard dollar financing closed on December 7, 2016, and cash held in trust related to the flow through financing closed on December 12, 2016. The former funds have been released to the Company as the Qualifying Transaction was completed March 30, 2017 and the latter continue to be held in the Company's solicitor's trust account for the purpose of funding exploration expenditures. The Corporation is required to expend the net proceeds of \$319,900 raised through the placement of 7,110,000 flow through shares by December 31, 2017, and is on target to do so.

	06/30/17	06/30/16
Cash and Cash Eq.	557,114	3,808
Restricted Cash	-	781,100
HST Recoverable	14,489	2,534
Total Assets	571,604	787,442
Trade, other Payables & Accrued Liabilities	23,875	25,392
Flow Through Premium Liability	71,100	71,100
Financing Proceeds held in Escrow	-	461,250
Total Liabilities	94,975	557,742
Total Stockholder Equity	476,628	229,700
Selected balance sheet data for June 30, 2017 and June 30, 2016. Source: Company Filing		

Trade, other payables and accrued liabilities of the Company are substantially all

comprised of amounts outstanding for professional services relating to the Qualifying Transaction. The usual credit period taken for trade payables is between 30 and 60 days.

OUTLOOK & VALUATION

EnerSpar Corp is a brand new, well run, tightly held junior resource Company in the industrial minerals space.

The Company recently acquired the Johan Beetz property, which is a former producer of feldspar with considerable geological inventory of feldspar mineral.

In addition, the property is situated in a mining friendly jurisdiction. Quebec, after all, is known as one of the most mining friendly regions in North America. In fact, a company with projects in Quebec typically gets premium ratings as a result of the predictability of the regulatory environment.

Johan Beetz is easily accessible and presents very good site opportunities to pursue a drilling-based evaluation of the pegmatites, which were the historic source of potassic and sodic feldspar for the Spar-Mica facility. Its history of development presents a compelling reason for a review of the property as a revitalized feldspar producer.

K-spar and Na-spar are used in ceramics, glass, tempered glass, but most importantly also in PV glass and solar tiles. Tesla's SolarCity is manufacturing its solar tiles in Buffalo, New York, which is just a short sail from EnerSpar's Johan Beetz project.

What makes it even more interesting is that there is currently NO high quality K-spar or Na-spar production in North America.

A Bloomberg report says that by 2040, 34% of worldwide electricity will come from wind and solar. Moreover, 72% of the \$10.2 trillion spent on new power generation worldwide between now and 2040 will be invested in new wind and solar PV plants. Of the two (wind and solar), solar seems to be establishing itself as the sustainable and less intrusive.

Investment in renewables across the Americas averages \$50 billion per year to 2040, to reach almost \$1.5 trillion over 2017-40.

Finally, EnerSpar will advance the project rapidly, either to production or to a liquidity event. The goal is to have an NI 43-101 compliant resource estimate by the end of 2018. At that point, the Company would have ears to an attractive take-over bid.

Of course, there's always the possibility that the Company is not acquired. In that case, it can put the property into production itself. After all, the feldspars are located at surface, meaning that a very easy and conventional extraction process is sufficient. This is much easier and cost effective than having to build an underground mine and carries far less execution risk.

We believe these are all compelling reasons that justify a significant increase in the Company's share price.

Valuation

Based on 26.75 million shares outstanding (providing for inclusion of \$.05 warrants and options), the intrinsic value of EnerSpar's shares derived from our model is \$0.13.

We initiate coverage of EnerSpar Corp. with a buy recommendation and a price target of \$0.13, which is 189% above today's stock price.

SHARE DATA

As of June 30, 2017 EnerSpar Corp. had 23.76 million common shares outstanding.

In addition, the Company has 6,861,000 warrants outstanding. 5,125,000 of the warrants entitle the holder to purchase 1 common share per warrant at \$0.10 per share expiring June 7, 2018. 711,000 of the warrants entitle purchase of a share at \$0.05 and expire on June 12, 2018. 1,025,000 warrants entitle the purchase of a unit at \$0.05 until June 7, 2018, each unit consisting of one share and one half warrant to acquire a further share at \$.10 until the same date.

Finally, EnerSpar has 1,875,000 stock options outstanding. A total of 1.25 million options have an exercise price of \$0.05, while 625,000 options can be exercised at \$0.10. Each stock option entitles its holder to purchase one common share of the Company. The options expire between April 2020 and May 2022.

MANAGEMENT

▣ JAMES (JAY) RICHARDSON – CHAIRMAN AND CEO

Mr. Richardson has been a Director and Officer of EnerSpar Corp. since June 27, 2011. He has also been a partner of James A. Richardson & Partners, Company Doctors, since 1993, a Director and Officer at Waseco Resources Inc. since August 24, 2000. He was the Interim CEO at Liberty Mines Inc. (LBE on TSX), Darnley Bay Resources Ltd. (DBL on TSX-V), Blue Heron Wealth Management Financial Corporation (BFC on TSX-V), and also a former Interim Chairman at Argus Corporation Ltd. (AR on TSX). He is a retired partner of KPMG (UK) and Ernst & Young (Canada and Singapore). Mr. Richardson has over 40 years of experience in international business.

▣ JOHN M. ARNOLD – CFO & DIRECTOR

Mr. Arnold has been the Principal of a private consulting firm since 1975. He was the Chief Financial Officer and a Director of Queenston Mining Inc. from 1998 to 2012. He has been a

corporate director for various public and private companies in the past.

▣ PETER ANDREWS – DIRECTOR

Mr. Andrews has been the President of PRA Consulting Inc., a private consulting firm, since May 2011. From April 2010 to April 2011 he served as Executive Vice President, Business Development of CSDC Systems Inc., a provider of enterprise solutions for improving compliance, governance, accessibility and process automation. Mr. Andrews also served as Chief Executive Officer and President of Grantium Inc. from April 2005 to April 2010.

▣ PETER BLOCH – DIRECTOR

Mr. Bloch has been the Chief Executive Officer of Bionik Laboratories Inc. since 2011. From 2009 to 2011 he was a Partner at Guarden Capital. Mr. Bloch also was the Chief Financial Officer of Just Energy Group Inc. (TSX: JE), an energy marketing firm, between 2007 and 2009.

▣ SHIMSHON POSEN – CORPORATE SECRETARY

Mr. Posen is a lawyer at Garfinkle Biderman LLP, where he focuses on corporate finance, M&A and securities law. He acts for public and private companies, securities dealers and financial institutions on a number of public and private financings and commercial transactions. Mr. Posen holds a J.D. from Osgoode Hall Law School and a B.A. in Political Science from York University.



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