

FORM 51-102F4
BUSINESS ACQUISITION REPORT

Item 1 Identity of Company

1.1 Name and Address of Company

Spark Power Group Inc. (“Company” or “Spark”)
1315 North Service Road E., Suite 300
Oakville, Ontario
L6H 1A7

1.2 Executive Officer

The following executive officer of the Company is knowledgeable about the significant acquisition and this report:

Dan Ardila
Chief Financial Officer
Tel: 905-829-3336 x127

Item 2 Details of Acquisition

2.1 Nature of Business Acquired

On November 1, 2019, Spark acquired all of the outstanding shares of One Wind Services Inc. and One Wind Services (US), Inc. (collectively, “One Wind”). One Wind is based out of Dartmouth, Nova Scotia with US facilities in Austin and San Benito, Texas. Spark purchased One Wind with guaranteed proceeds on closing of \$13.5 million and post-closing contingent proceeds (“Earn-out”) of up to \$4.0 million, for a total purchase price of up to \$17.5 million. Proceeds on closing were in the form of cash, a promissory note, and Spark equity. The earn-out, if earned, will be in the form of cash, and is payable based on achieving certain key growth-based financial metrics over the 14-month period, post-closing.

One Wind specializes in delivering operations and maintenance (O&M), and construction-related services to leading renewable asset owners, original equipment manufacturers, and developers. This acquisition will primarily complement the Company’s existing Northwind renewables business and further expand Spark’s geographic coverage in the Southwestern United States —approximately 80% of One Wind’s revenue comes from the US market — and Eastern Canada.

2.2 Acquisition Date

November 1, 2019

2.3 Consideration

The total fair value of the consideration paid or payable by Spark, exclusive of \$4.0 million in any contingent earn-out proceeds, is \$13.5 million. Consideration was comprised of the following components:

Cash	\$	8,000,000
Promissory note		3,750,000
Shares in Spark		1,750,000
Total consideration, at close	\$	13,500,000

Included in the cash consideration is an advanced payment of \$500,000 against a contingent working capital payment.

The earn-out of \$4.0 million is due and payable by January 1, 2021 subject to the achievement of certain key growth based financial metrics during the 14-month period ended post close. The earn-out is unsecured additional consideration.

The amount of the earn-out is calculated as follows:

- (i) Up to \$1.0 million to be earned based on achieving certain levels of revenue with a significant customer in 2020 compared to 2019.
- (ii) Up to \$1.0 million to be earned based on growth in revenue with customers other than the customer included in (i).
- (iii) Up to \$2.0 million to be earned based on achieving certain minimum gross profit targets in 2020 compared to that achieved in 2019.

Spark financed the cash portion of the acquisition and working capital advance through a draw on Spark's Acquisition Facility with its lender. The promissory note is a 3-year note with principal payments of \$0.5 million in year one and two and \$2.75 million in year three bearing interest at 4% payable annually.

Shares in Spark issued as consideration for the transaction totalled 1,835,343 at \$0.9535 per share.

2.4 Effect on Financial Position

The effect of the Acquisition on Spark's financial position is outlined in the *pro forma* financial statements attached hereto as Schedule "A". Pro-forma leverage decreases at close of the transaction. Leverage ratios are expected to continue to decline prior to or after the payment of any construct of the contingent consideration, being a performance based earn-out, it would have a positive impact on the leverage ratios.

Spark presently has no plans for material changes in the business or affairs of One Wind that may have a significant effect on the financial performance or financial position of One Wind.

This acquisition will primarily complement the Company's existing Northwind renewables business and further expand Spark's geographic coverage in the Southwestern United

States — approximately 80% of One Wind's revenue comes from the US market — and Eastern Canada. The combination of One Wind with Spark's existing Northwind business creates a leading independent provider of renewable asset operations and maintenance services in North America.

2.5 Prior Valuations

No valuation opinions have been obtained within the last twelve months by Spark or One Wind to support the consideration paid by Spark for One Wind.

2.6 Parties to Transaction

The acquisition was not a transaction with an "informed person", "associate" or "affiliate" of Spark.

2.7 Date of Report

January 14, 2020

Item 3 Financial Statements and Other Information

The following financial statements required by Part 8 of National Instrument 51-102 *Continuous Disclosure Obligations* are included in this report:

1. Unaudited pro forma consolidated financial statements of Spark that give effect to the Acquisition, comprised of the unaudited pro forma condensed consolidated statement of financial position as at September 30, 2019, and the unaudited pro forma condensed consolidated statements of earnings for the financial year ended December 31, 2018 and for the nine months ended September 30, 2019, together with the notes thereto, which are attached as Schedule "A" to this report.
2. Audited financial statements of One Wind as at and for the year ended September 30, 2019 and unaudited financial statements of One Wind as at and for the year ended September 30, 2018, together with the notes thereto, which are attached as Schedule "B" to this report.

The following financial statements are incorporated by reference, and form part of this business acquisition report. These financial statements have been filed under Spark's SEDAR profile at www.sedar.com.

1. The audited annual consolidated financial statements of Spark as at and for the year ended December 31, 2018 and 2017. BDO has not given their consent to the inclusion of their auditor's report on the financial statements in this report.
2. The unaudited condensed consolidated financial statements of Spark as at and for the nine months ended September 30, 2019 and 2018.

Non IFRS Measures

This report makes reference to certain non-IFRS measures, including: “EBITDA”, and “Adjusted EBITDA”. These non-IFRS measures are used to provide investors with supplemental measures of Spark’s operating performance and highlight trends in Spark’s business that may not otherwise be apparent when relying solely on IFRS measures. Spark also believes that providing such information to securities analysts, investors and other interested parties who frequently use non-IFRS measures in the evaluation of issuers will allow them to better compare Spark’s performance against others in its industry. Management also uses non-IFRS measures in order to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and forecasts and to determine components of management compensation.

“**EBITDA**” means net income (loss) before amortization, finance costs, and provision for income taxes.

“**Adjusted EBITDA**” means EBITDA adjusted for any change in fair value of Puttable Class A and Class 1 Special shares, non-recurring costs, excess of fair value over net asset acquired, gain on retraction of Class 1 Special shares, transactions costs, and reorganization costs, which management considers to not be representative of Spark’s ongoing operating performance. Spark used EBITDA and Adjusted EBITDA to evaluate the performance of its business as these measures reflect ongoing profitability and it believes these measures are useful in making comparisons between periods. Spark believes that EBITDA and Adjusted EBITDA provide analysts and investors with information about its income generating capabilities, and ability to service debt and meet other payment obligations. Management uses these measures to monitor and plan for the operating performance of Spark in conjunction with other data prepared in accordance with IFRS.

Cautionary Note Regarding Forward-Looking Statements

Some of the information contained in this report contains forward-looking statements. These statements are based on management’s reasonable assumptions and beliefs in light of the information currently available to them and are made as of the date of this report. Spark does not undertake to update any such forward-looking statements as a result of new information, future events or otherwise, except as required by applicable securities laws in Canada. Actual results may differ materially from those indicated or underlying forward-looking statements as a result of various factors, including those described in “Risk Factors” in the Company’s annual information form filed on April 1, 2019 and available on SEDAR at www.sedar.com. Spark cautions that the list of risk factors and uncertainties is not exhaustive and other factors could also adversely affect results. Readers are urged to consider the risks, uncertainties and assumptions carefully in evaluating the forward-looking information and are cautioned not to place undue reliance on such information.

The forward-looking information contained in this report was as of the date of this report and Spark does not undertake to update publicly or revise the forward-looking information contained in this report, whether as a result of new information, future events or otherwise, except as required by applicable securities laws.

Schedule “A”
Pro Forma Financial Statements of Spark

Spark Power Group Inc.
Pro Forma Condensed Combined Statement of Financial Position (unaudited)
As at September 30, 2019

	Spark Power Group Inc.	One Wind Services Inc.	One Wind Services (US Inc.)	Intercompany Eliminations	One Wind Combined	Combined	Pro Forma Adjustments	Notes	Pro Forma Combined
Assets									
Current assets									
Cash	-	309,797	143,239	-	453,036	453,036	(453,036)	5B	-
Short term investments	252,276	-	-	-	-	252,276	-	-	252,276
Accounts receivable	43,606,800	6,802,127	15,087	-	6,817,214	50,424,014	-	-	50,424,014
Inventory	6,380,789	70,493	61,968	-	132,461	6,513,250	-	-	6,513,250
Contract asset	17,820,429	-	-	-	-	17,820,429	-	-	17,820,429
Prepaid expenses and deposits	3,914,053	80,595	122,229	-	202,824	4,116,877	-	-	4,116,877
	71,974,347	7,263,012	342,524	-	7,605,536	79,579,883	(453,036)	-	79,126,847
Non-current assets									
Due from related parties	-	11,256	1,247,789	(1,244,053)	14,992	14,992	(14,992)	5B	-
Property and equipment	29,691,763	670,400	395,878	-	1,066,278	30,758,041	-	-	30,758,041
Intangible assets	35,805,842	-	-	-	-	35,805,842	4,330,900	5A(iii) & 5B	40,136,742
Goodwill	39,549,953	350,983	-	-	350,983	39,900,936	2,471,823	5B	42,372,759
	177,021,905	8,295,651	1,986,190	(1,244,053)	9,037,788	186,059,693	6,334,695	-	192,394,388
Liabilities and Shareholders' Equity									
Current liabilities									
Bank indebtedness	20,131,995	-	-	-	-	20,131,995	802,631	5A(i) & 6	20,934,626
Accounts payable and accrued liabilities	31,436,559	915,232	1,233,367	-	2,148,599	33,585,158	-	-	33,585,158
Current portion of long-term debt	7,203,958	327,378	-	-	327,378	7,531,336	472,622	5B	8,003,958
Current portion of promissory notes	5,615,849	-	-	-	-	5,615,849	500,000	5B	6,115,849
Current portion of lease liability	5,285,821	-	-	-	-	5,285,821	-	-	5,285,821
Due to related party	-	1,244,053	-	(1,244,053)	-	-	-	-	-
Income taxes payable	1,141,017	115,321	70,106	-	185,427	1,326,444	304,001	5A(ii)	1,630,445
Contract liability	2,318,611	168,557	-	-	168,557	2,487,168	-	-	2,487,168
	73,133,810	2,770,541	1,303,473	(1,244,053)	2,829,961	75,963,771	2,079,254	-	78,043,025
Non-current liabilities									
Long-term debt	49,600,446	1,757,801	-	-	1,757,801	51,358,247	5,442,199	5B	56,800,446
Promissory notes	9,157,542	-	-	-	-	9,157,542	3,250,000	5B	12,407,542
Deferred taxes	2,211,029	-	-	-	-	2,211,029	774,500	5A(ii)	2,985,529
Lease liability	12,462,610	-	-	-	-	12,462,610	-	-	12,462,610
	73,431,627	1,757,801	-	-	1,757,801	75,189,428	9,466,699	-	84,656,127
Shareholders' equity									
Share capital	125,789,150	352,746	122	-	352,868	126,142,018	1,397,132	5B	127,539,150
Contributed surplus	539,487	6,615	-	-	6,615	546,102	(6,615)	5B	539,487
Accumulated other comprehensive loss	(152,435)	-	(605)	-	(605)	(153,040)	605	5B	(152,435)
(Deficit) Retained Earnings	(95,737,747)	3,407,948	683,200	-	4,091,148	(91,646,599)	(6,602,380)	5A(i),(ii),(iii), 5B & 6	(98,248,979)
	30,438,455	3,767,309	682,717	-	4,450,026	34,888,481	(5,211,258)	-	29,677,223
Non-controlling interest	18,013	-	-	-	-	18,013	-	-	18,013
	30,456,468	3,767,309	682,717	-	4,450,026	34,906,494	(5,211,258)	-	29,695,236
	177,021,905	8,295,651	1,986,190	(1,244,053)	9,037,788	186,059,693	6,334,695	-	192,394,388

See the accompanying notes to the pro forma financials

Spark Power Group Inc.
Pro Forma Condensed Combined Statement of Comprehensive Income (Loss) (unaudited)
For the nine months ended September 30, 2019

	Spark	One Wind Services Inc.	One Wind Services (US) Inc.	Intercompany Eliminations	One Wind Combined	Combined	Pro Forma Adjustments	Notes	Pro Forma Combined
Revenue	130,592,099	18,741,304	11,762,610	(11,762,610)	18,741,304	149,333,403			149,333,403
Cost of goods sold	84,277,473	14,156,766	10,418,897	(11,875,762)	12,699,901	96,977,374			96,977,374
Gross Profit	46,314,626	4,584,538	1,343,713	113,152	6,041,403	52,356,029	-		52,356,029
Expenses									
Selling, general and administrative	37,753,570	2,509,804	709,213	-	3,219,017	40,972,587	472,575	5A(iii)	41,445,162
Income from operations	8,561,056	2,074,734	634,500	113,152	2,822,386	11,383,442	(472,575)		10,910,867
Other income (expenses)									
Management services	-	113,152	-	(113,152)	-	-			-
Finance expense	(3,878,405)	(62,573)	-	-	(62,573)	(3,940,978)	(374,597)	5A(i)	(4,315,575)
Increase in value of Puttable Class A and Class 1 special shares	-	-	-	-	-	-			-
Employee stock based compensation	-	(122,555)	-	-	(122,555)	(122,555)			(122,555)
Transaction costs	(1,441,574)	-	-	-	-	(1,441,574)	(300,000)		(1,741,574)
Reorganization costs	(1,511,381)	-	-	-	-	(1,511,381)			(1,511,381)
Earn-out - New Electric Fresno	(2,100,000)	-	-	-	-	(2,100,000)			(2,100,000)
Excess of fair value over net assets acquired	-	-	-	-	-	-			-
Gain of retractions of Class 1 Special shares	-	-	-	-	-	-			-
Gain on disposal of property and equipment	-	12,996	-	-	12,996	12,996			12,996
Realized gain on foreign exchanges	-	6,992	-	-	6,992	6,992			6,992
Unrealized gain on foreign exchange	-	11,764	-	-	11,764	11,764			11,764
Other	84,290	45,983	-	-	45,983	130,273			130,273
	(8,847,070)	5,759	-	(113,152)	(107,393)	(8,954,463)	(674,597)		(9,629,060)
Income (loss) before income taxes	(286,014)	2,080,493	634,500	-	2,714,993	2,428,979	(1,147,172)		1,281,807
Current income taxes	593,887	733,560	-	-	733,560	1,327,447		5A(ii)	1,327,447
Deferred income taxes recovery	(841,080)	(140,327)	111,142	-	(29,185)	(870,265)	(304,001)	5A(ii)	(1,174,266)
Income taxes recovery	(247,193)	593,233	111,142	-	704,375	457,182	(304,001)		153,181
Net and comprehensive income (loss)	(38,821)	1,487,260	523,358	-	2,010,618	1,971,797	(843,171)		1,128,626
Basic earnings (loss) per share (Note 5A(iv))	-								0.04
Diluted earnings (loss) per share (Note 5A(iv))	-								0.02
EBITDA	11,885,365	2,394,269	684,340	-	3,078,608	14,963,973	(300,000)		14,663,973
Adjusted EBITDA	16,938,320	2,394,269	684,340	-	3,078,608	20,016,928	-		20,016,928

See the accompanying notes to the pro forma financials

Spark Power Group Inc.
Pro Forma Condensed Combined Statement of Comprehensive Income (Loss) (unaudited)
For the year ended December 31, 2018

	Spark	One Wind Services Inc.	One Wind Services (US) Inc.	Intercompany Eliminations	One Wind Combined	Combined	Pro Forma Adjustments	Notes	Pro Forma Combined
Revenue	119,759,443	17,132,618	5,296,998	(5,296,998)	17,132,618	136,892,061			136,892,061
Cost of goods sold	73,734,181	13,175,569	4,762,471	(5,412,278)	12,525,762	86,259,943			86,259,943
Gross Profit	46,025,262	3,957,049	534,527	115,280	4,606,856	50,632,118	-		50,632,118
Expenses									
Selling, general and administrative	34,581,546	1,871,893	337,984	-	2,209,877	36,791,423	630,100	5A(iii)	37,421,523
Income from operations	11,443,716	2,085,156	196,543	115,280	2,396,979	13,840,695	(630,100)		13,210,595
Other income (expenses)									
Management services	-	115,280	-	(115,280)	-	-			-
Finance expense	(5,209,960)	(7,275)	-	-	(7,275)	(5,217,235)	(502,631)	5A(i)	(5,719,866)
Increase in value of Puttable Class A and Class 1 special shares	(47,771,600)	-	-	-	-	(47,771,600)			(47,771,600)
Employee stock based compensation	-	(112,998)	-	-	(112,998)	(112,998)			(112,998)
Transaction costs	(10,269,633)	-	-	-	-	(10,269,633)	(300,000)	6	(10,569,633)
Reorganization costs	(1,413,924)	-	-	-	-	(1,413,924)			(1,413,924)
Excess of fair value over net assets acquired	(12,660,331)	-	-	-	-	(12,660,331)			(12,660,331)
Gain of retractions of Class 1 Special shares	1,250,000	-	-	-	-	1,250,000			1,250,000
Gain on disposal of property and equipment	-	662	-	-	662	662			662
Realized gain on foreign exchanges	-	(30,926)	-	-	(30,926)	(30,926)			(30,926)
Unrealized gain on foreign exchange	-	108,103	-	-	108,103	108,103			108,103
Other	(138,052)	30,391	-	-	30,391	(107,661)			(107,661)
	(76,213,500)	103,237	-	(115,280)	(12,043)	(76,225,543)	(802,631)		(77,028,174)
Income (loss) before income taxes	(64,769,784)	2,188,393	196,543	-	2,384,936	(62,384,848)	(1,432,731)		(63,817,579)
Current income taxes	677,235	401,306	-	-	401,306	1,078,541	-		1,078,541
Deferred income taxes expense	(812,167)	229,101	39,827	-	268,928	(543,239)	(1,154,174)	5A(ii)	(1,697,412)
Income taxes recovery	(134,932)	630,407	39,827	-	670,234	535,302	(1,154,174)		(618,872)
Net and comprehensive income (loss)	(64,634,852)	1,557,986	156,716	-	1,714,702	(62,920,150)	(278,557)		(63,198,707)
Basic earnings (loss) per share (Note 5A(iv))	(1.44)								(1.35)
Diluted earnings (loss) per share (Note 5A(v))	(1.44)								(1.35)
EBITDA	(51,407,978)	2,446,382	196,543	-	2,642,924	(48,765,054)	(300,000)		(49,065,054)
Adjusted EBITDA	20,516,406	2,446,382	196,543	-	2,642,924	23,159,330	-		23,159,330

See the accompanying notes to the pro forma financials

SPARK POWER GROUP INC.

Notes to the Unaudited Condensed Consolidated Pro forma Statements

1. Basis of Presentation

The accompanying unaudited pro forma condensed consolidated financial statements ("financial statements") of Spark Power Group Inc. ("Company" or "Spark") have been prepared to give effect to the acquisition of 100% of the shares of One Wind Services ("One Wind") by Spark which closed on November 1, 2019 ("One Wind Acquisition").

The unaudited pro forma condensed consolidated statements of earnings for the year ended December 31, 2018 and for the nine month period ended September 30, 2019 combine the historical consolidated statements of earnings of Spark and One Wind to give effect to the acquisition as if it had occurred on January 1, 2018. The unaudited pro forma condensed consolidated balance sheet as at September 30, 2019 combines the historical consolidated balance sheets of Spark and One Wind to give effect to the acquisition as if it had occurred on September 30, 2019.

These financial statements also reflect the effect of \$8.0 million of additional borrowings by Spark on existing loan facilities to finance the One Wind acquisition.

In the opinion of management, the accounting policies used in the preparation of the unaudited pro forma consolidated statement of financial position as at September 30, 2019, the unaudited pro forma consolidated statement of comprehensive income (loss) for the nine months ended September 30, 2019 and for the year ended December 31, 2018, include all the adjustments necessary for the fair presentation of the transaction in accordance with the recognition and measurement principles of International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and incorporate the significant accounting policies expected to be used to prepare the Company's consolidated financial statements.

The unaudited pro forma consolidated financial statements may not be indicative of the financial position that would have prevailed and operating results that would have been obtained if the transactions had taken place on the dates indicated or of the financial position or operating results which may be obtained in the future. The unaudited pro forma consolidated financial statements are not a forecast or projection of future results. The actual financial position and results of operations of Spark for any period following the closing of the One Wind Acquisition will vary from the amounts set forth in the unaudited pro forma consolidated financial statements and such variation may be material.

The unaudited pro forma consolidated financial statements may not be indicative of the financial position that would have prevailed and operating results that would have been obtained if the transactions had taken place on the dates indicated or of the financial position or operating results which may be obtained in the future. The unaudited pro forma consolidated financial statements are not a forecast or projection of future results. The actual financial position and results of operations of Spark for any period following the closing of the One Wind acquisition will vary from the amounts set forth in the unaudited pro forma consolidated financial statements and such variation may be material.

The unaudited pro forma statement of earnings of One Wind for the year ended December 31, 2018 has been constructed from the unaudited consolidated statements of earnings of One Wind for the year ended September 30, 2018, removing the results of operations of One Wind for the three months ended December 31, 2017 and adding the results of operations of One Wind for the three months ended December 31, 2018. The unaudited pro forma statement of earnings of One Wind for the nine months ended September 30, 2019 has been constructed from the audited consolidated statements of earnings of One Wind for the year ended September 30, 2019 and removing the results of operations of One Wind for the three months ended December 30, 2018. The constructed statements of earnings has been prepared for the purpose of these pro forma financial statements and does not conform with the reporting period of the financial statements of One Wind included in this report.

These financial statements were based on and should be read in conjunction with the:

- Audited consolidated financial statements of Spark as at and for the year ended December 31, 2018 and the related notes;
- Audited consolidated financial statements of One Wind as at and for the year ended September 30, 2019 and the related notes; and
- Unaudited condensed consolidated interim financial statements of Spark as at and for the nine months ended September 30, 2019 and the related notes.

These financial statements have been prepared using the acquisition method of accounting in accordance with *IFRS 3 – Business combinations*. The purchase price calculation and the purchase price allocation are dependent upon finalization of the fair value estimates and assumptions as at the acquisition date and therefore, certain valuations are provisional and are subject to change. The purchase price allocation will reflect the fair value, at the purchase date, of the assets acquired and liabilities assumed based on Spark's evaluation of such assets and liabilities following the close of the transaction and, accordingly, the final purchase price allocation may differ significantly from the result herein.

The financial statements do not reflect any cost savings, operating synergies or revenue enhancements that the combined company may achieve, the costs to integrate the operations of Spark and One Wind or any costs necessary to achieve these cost savings, operating synergies and revenue enhancements.

2. Description of Transaction

On November 1, 2019 Spark successfully completed the acquisition of the outstanding shares of One Wind pursuant to the terms and conditions set forth in the share purchase agreement announced. The fair value of total consideration on closing was \$17.5 million. The fair value of the consideration of approximately \$17.5 million is comprised of:

- cash paid on closing of \$8.0 million;

- a secured promissory note with a fair value of \$3.75 million;
- common shares in Spark with a fair value \$1.75 million;
- and unsecured additional consideration to be paid in the future dependent upon the future financial performance of One Wind (“Earnout”) with an estimated fair value of \$4.0 million.

3. Preparation of Pro forma statements

Accounting Policies

The accounting policies used in the preparation of these financial statements are consistent with those described in the unaudited condensed consolidated interim financial statements for Spark for the nine-month period ended September 30, 2019 and the audited consolidated financial statements for the year ended December 31, 2018. Management has conducted a review of One Wind’s accounting policies and has identified no material differences in the significant accounting policies adopted by One Wind. For the purposes of these pro forma financial statements no material reclassifications were required to be made to One Wind’s historical financial statements to conform to the presentation policies adopted by Spark.

Foreign currency translation

The following foreign exchange rates were used to translate the One Wind Services (US) Inc. financial statements and the One Wind Acquisition:

- (i) For the year ended December 31, 2018 the statement of profit and loss for One Wind Services (US) Inc. and the pro forma adjustments were translated at the average rate for the year of CDN \$1.296 to US \$1.00.
- (ii) For the nine months ended September 30, 2019 the statement of profit and loss for One Wind Services (US) Inc. and the pro forma adjustments were translated at the average rate for the year to date period of CDN \$1.329 to US \$ 1.00.
- (iii) The September 30, 2019 statement of financial position was translated at a rate of CDN \$1.325 to US \$1.00.
- (iv) A foreign exchange rate of CDN \$1.325 to US \$1.00 was used in the preparation of the preliminary pro forma purchase price allocations on the pro forma statement of financial position for September 30, 2019.

4. Fair Value of Consideration Transferred

The following table summarizes the estimated purchase price for the One Wind acquisition as of September 30, 2019 (refer to note 2):

		Preliminary Fair Value
Cash paid on close	\$	8,000,000
Promissory notes issued at close		3,750,000
Shares issued at close		1,750,000
Total purchase price	\$	13,500,000

Refer to Note 6 for further information on financing of the cash consideration.

5. Pro forma adjustments in connection with the One Wind acquisition

The following summarizes the pro forma adjustments in connection with the One Wind Acquisition to give effect to the acquisition as if it has occurred on January 1, 2018 for purposes of the pro forma condensed consolidated statements of earnings for the nine months ended September 30, 2019 and the year ended December 31, 2018 and on September 30, 2019 for the purposes of the pro forma condensed consolidated statement of financial position.

A. Adjustments to the condensed consolidated statement of earnings for the year ended December 31, 2018 and the nine months ended September 30, 2019

- (i) To adjust for additional interest expense estimated to be incurred with the increase in the debt facilities by Spark and the reversal of One Wind interest on the revolver and bank loans that were repaid on the acquisition. Refer to note 6 for further details on the change to existing debt facilities as a result of the One Wind Acquisition.

	Year ended December 31, 2018	Nine months ended September 30, 2019
Acquisition line (Note 6)	8,000,000	8,000,000
Estimated weighted average interest rate	5.2%	5.2%
Estimated interest expense	416,000	312,000
Promissory note (Note 6)	3,750,000	3,750,000
Estimated weighted average interest rate	4.0%	4.0%
Estimated interest expense	150,000	112,500
Total pro forma interest expense	566,000	424,500

The net pro forma interest expense adjustment is as follows:

	Year ended December 31, 2018	Nine months ended September 30, 2019
Pro forma adjustment for interest expense	566,000	424,500
Pro forma adjustment for interest expense on debt repaid (a)	63,369	49,903
	502,631	374,597

(a) Pro forma adjustment to exclude interest on debt that were paid on the One Wind Acquisition

- (ii) To adjust for the following income and deferred tax asset and liabilities:

	Year ended December 31, 2018	Nine months ended September 30, 2019
Pro forma income tax impact for Spark	1,432,731	1,147,172
Pro forma income tax rate for Spark	26.5%	26.5%
Income tax payable for Spark	379,674	304,001
Pro forma deferred tax impact for One Wind	2,922,642	2,922,642
Pro forma income tax rate for One Wind	26.5%	26.5%
Deferred Income tax asset for One Wind	774,500	774,500

- (iii) To adjust for amortization expense related to intangibles that resulted on the acquisition.

	Year ended December 31, 2018	Nine months ended September 30, 2019
Customer Relationships	2,551,000	2,551,000
Amortization period - years	10	10
Estimated amortization expense	255,100	191,325
Trade Name	3,750,000	3,750,000
Amortization period - years	10	10
Estimated amortization expense	375,000	281,250
Total pro forma amortization expense	630,100	472,575

- (iv) To reflect the pro forma earnings and share issuance adjustments on basic and diluted earnings (loss) per share:

	Year ended December 31, 2018	Nine months ended September 30, 2019
Basic EPS:		
Loss as reported by Spark	(64,634,852)	(38,821)
Pro forma earnings adjustment	1,714,702	2,010,618
Pro forma consolidated earnings (loss)	(62,920,150)	1,971,797
Weighted average number of shares outstanding	44,920,313	45,142,454
Shares issued on acquisition	1,835,343	1,835,343
Pro forma weighted average number of shares outstanding	46,755,656	46,977,797
Basic earnings (loss) per share as reported by Spark	(1.44)	(0.00)
Basic earnings (loss) per share as per pro forma consolidated earnings (loss)	(1.35)	0.04
Diluted EPS:		
Loss as reported by Spark	(64,634,852)	(38,821)
Earnings as reported by One Wind	1,714,702	2,010,618
Pro forma earnings adjustment	(278,557)	(843,171)
Pro forma consolidated earnings (loss)	(63,198,707)	1,128,626
Weighted average number of shares outstanding	44,920,313	45,142,454
Shares issued on acquisition	1,835,343	1,835,343
Pro forma weighted average number of shares outstanding	46,755,656	46,977,797
Diluted earnings (loss) per share as reported by Spark	(1.44)	(0.00)
Diluted earnings (loss) per share as per pro forma consolidated earnings (loss)	(1.35)	0.02

B. *Adjustments to the condensed consolidated statement of financial position at September 30, 2019*

- (i) Spark issued 1,835,343 Spark common shares valued at \$1.75 million, along with a cash payment of \$8.0 million and a 3-year promissory note of \$3.75 million at 4% in exchange for all of the issued and outstanding shares of One Wind. The identifiable assets acquired and liabilities assumed by Spark are measured at their fair values at the acquisition date. The excess of the consideration transferred over the fair value of the identifiable tangible and intangible net assets acquired and liabilities assumed is attributable to goodwill. The fair values of the net assets acquired and liabilities assumed are subject to change at a later date.
- (ii) The pro forma acquisition of One Wind has been prepared using the following fair value of One Wind assets acquired and liabilities assumed by Spark:

Net assets acquired		
Accounts receivable	\$	6,817,214
Inventory		132,461
Prepays and deposits		202,824
Property, plant and equipment		1,066,278
Intangible assets		4,961,000
Accounts payable and accrued liabilities		(2,148,599)
Contract liability		(168,557)
Income taxes payable		(185,427)
	\$	10,677,194
Consideration paid		
Cash	\$	8,000,000
Promissory note payable (4%)		3,750,000
Spark shares issued at close		1,750,000
	\$	13,500,000
Goodwill	\$	2,822,806

Spark has preliminarily assessed that the carrying value for all assets acquired and liabilities assumed approximate fair value based on the nature of those assets and liabilities. Cash, long-term debt, amounts due from related party and goodwill balances were assumed cleared prior to the closing of the One Wind Acquisition. Intangible assets recognized on the acquisition are attributable to trade name and customer relationships. Additionally, none of the goodwill is expected to be deductible for tax purposes. Acquisition costs in the amount of \$0.3 million were incurred in regard to the One Wind Acquisition. Further the One Wind Acquisition contemplates earn-out payments of up to \$4.0 million in accordance with the share purchase agreement. For the purposes of these Pro Forma Consolidated Financial Statements, it has been assumed that no earn-out payments were made in the period ended September 30, 2019 as the contingent consideration requirements were not met.

6. Pro forma on debt issuance

Spark partially financed the initial cash consideration of \$13.5 million (refer to note 2.3) by drawing \$11.75 million through existing loan facilities and the issuance of a promissory note to the vendors. Additional debt issuance is as follows:

Proceeds from Acquisition Line	\$	8,000,000
Proceeds from issuance of Promissory notes		3,750,000
		11,750,000
Financing Fees		(300,000)
Net proceeds	\$	11,450,000

Schedule “B”

Financial Statements of One Wind Services Inc. and One Wind Services (US) Inc.

ONE WIND SERVICES INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

ONE WIND SERVICES INC.
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SEPTEMBER 30, 2019

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of:
One Wind Services Inc.

Opinion

We have audited the financial statements of **One Wind Services Inc.** ("the Company"), which comprise the balance sheet as at September 30, 2019 and the statements of earnings and retained earnings and cash flows for the year 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 September 30, 2019, and results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditors' 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 audit 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.

Other Matter

The comparative figures of **One Wind Services Inc.** for the year ended September 30, 2018 are unaudited.

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 Canadian accounting standards for private enterprises, 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.

Auditors' 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 auditors' 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 judgment 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 control.
- 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 control.
- 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 audit 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 auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to 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.

Baker Tilly Nova Scotia Inc

Dartmouth, Nova Scotia
January 13, 2020

**Chartered Professional Accountants
Licensed Public Accountants**

ONE WIND SERVICES INC.
STATEMENT OF EARNINGS AND RETAINED EARNINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2019 (Note 2)

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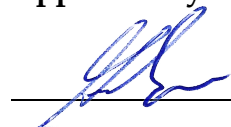
	2019	2018
	\$	\$
		Restated (Note 3)
REVENUE (Note 15)	24,227,559	14,948,171
DIRECT COSTS (Note 13 & 15)	18,295,113	11,140,775
GROSS PROFIT	5,932,446	3,807,396
OPERATING EXPENSES		
Advertising and promotion	42,360	99,839
Amortization	313,768	234,841
Bad debts (recovery)	1,945	(176,961)
Insurance	82,487	90,914
Interest and bank charges	42,735	38,540
Interest on long-term debt	63,369	7,532
Meals and entertainment	17,261	8,113
Memberships and licences	36,649	38,756
Office supplies	36,047	35,236
Professional fees	228,232	177,384
Lease expense	82,804	90,473
Repairs and maintenance	25,867	9,485
Safety and training	21,302	57,305
Salaries and benefits	1,097,340	947,542
Sub-contractors (Note 15)	941,049	-
Travel	108,262	59,113
Utilities	32,055	38,262
Vehicle	19,051	16,758
	<u>3,192,583</u>	<u>1,773,132</u>
EARNINGS FROM OPERATIONS	2,739,863	2,034,264
OTHER INCOME (EXPENSES)		
Employee stock based compensation	(122,555)	(112,998)
Gain on disposal of property and equipment	9,842	3,816
Impairment loss	-	(50,000)
Other (Note 14)	45,983	80,391
Management services (Note 15)	150,271	78,161
Realized gain on foreign exchange	76,966	-
Unrealized gain on foreign exchange	11,764	42,806
	<u>172,271</u>	<u>42,176</u>
EARNINGS BEFORE INCOME TAXES	2,912,134	2,076,440
PROVISION FOR INCOME TAXES - CDN (Note 18)	971,971	360,389
PROVISION FOR (RECOVERY OF) INCOME TAXES - US	(140,327)	229,101
	<u>831,644</u>	<u>589,490</u>
NET EARNINGS	2,080,490	1,486,950
RETAINED EARNINGS - beginning of year		
As previously stated	3,146,856	1,605,452
Impact of prior period correction (Note 3)	(54,454)	-
Restated	3,092,402	1,605,452
ADJUSTMENT ON AMALGAMATION	(1,764,944)	-
RETAINED EARNINGS - end of year	3,407,948	3,092,402

**ONE WIND SERVICES INC.
BALANCE SHEET
AS AT SEPTEMBER 30, 2019**

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	2019	2018
	\$	\$ Restated (Note 3)
ASSETS		
CURRENT		
Cash	309,797	176,394
Accounts receivable	6,802,127	4,094,404
Inventory	70,493	130,753
Prepays	<u>80,595</u>	<u>95,346</u>
	7,263,012	4,496,897
DUE FROM RELATED PARTIES (Note 5)	11,256	46,253
PROPERTY AND EQUIPMENT (Note 6)	670,400	619,002
GOODWILL	<u>350,983</u>	<u>-</u>
	<u><u>8,295,651</u></u>	<u><u>5,162,152</u></u>
LIABILITIES		
CURRENT		
Bank indebtedness (Note 7)	-	170,588
Accounts payable and accrued liabilities (Note 8)	915,232	904,633
Income taxes payable	115,321	389,520
Deferred revenue	168,557	84,300
Due to related party (Note 9)	1,244,053	218,106
Current portion of long-term debt	<u>327,378</u>	<u>71,663</u>
	2,770,541	1,838,810
LONG-TERM DEBT (Note 10)	<u>1,757,801</u>	<u>54,817</u>
	<u><u>4,528,342</u></u>	<u><u>1,893,627</u></u>
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 11)	352,746	123,086
CONTRIBUTED SURPLUS (Note 12)	6,615	53,037
RETAINED EARNINGS	<u>3,407,948</u>	<u>3,092,402</u>
	<u>3,767,309</u>	<u>3,268,525</u>
	<u><u>8,295,651</u></u>	<u><u>5,162,152</u></u>
SUBSEQUENT EVENTS (Note 20)		

Approved by the Board



Director

 **bakertilly**

ONE WIND SERVICES INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2019 (Note 2)

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	2019	2018
	\$	\$
		Restated (Note 3)
CASH PROVIDED BY (USED FOR):		
OPERATING		
Net earnings for the year	2,080,490	1,486,950
Items not affecting cash		
Amortization	313,768	234,841
Employee stock based compensation	122,555	112,998
Gain on sale of property and equipment	(9,842)	(3,816)
Impairment loss	-	50,000
Adjustment on amalgamation	(1,764,944)	-
	742,027	1,880,973
Changes in non-cash working capital items		
Accounts receivable	(2,707,723)	(1,778,656)
Inventory	60,260	(117,660)
Prepays	14,751	(52,123)
Accounts payable and accrued liabilities	10,599	258,079
Income taxes payable	(274,199)	354,685
Deferred revenue	84,257	84,300
Dividends payable	-	(45,000)
	(2,070,028)	584,598
FINANCING		
Bank indebtedness	(170,588)	(248,779)
Cash advances to related party	-	(1,474,209)
Cash receipts from related party	1,025,947	1,513,679
Cash receipts from shareholder	-	4,025
Proceeds on long-term debt	2,212,974	124,617
Payments on long-term debt	(254,275)	(48,760)
Share capital issuance	114,380	4,329
Share capital adjustment on amalgamation	(53,697)	-
	2,874,741	(125,098)
INVESTING		
Acquisition of goodwill	(350,983)	-
Acquisition of property and equipment	(385,957)	(463,371)
Proceeds on disposal of property and equipment	30,633	18,000
Cash advances to related parties	(5,857)	(8,619)
Cash receipts from related parties	40,854	79,365
	(671,310)	(374,625)
CHANGE IN CASH	133,403	84,875
CASH - beginning of year	176,394	91,519
CASH - end of year	309,797	176,394

ONE WIND SERVICES INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019 (Note 2)

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1. OPERATIONS

One Wind Services Inc. ("the Company") is a private company, incorporated on March 16, 2006 under the Canada Business Corporations Act. The Company provides development, construction, operation and maintenance services to clients in the wind power generation business.

2. AMALGAMATION

On April 1, 2019, the two parent companies of the Company, Seaforth Wind Energy Incorporated and 3319941 Nova Scotia Limited were amalgamated with the Company.

The transaction was accounted for using the exchange amounts in the financial statements of the amalgamated companies.

The financial statements of the new combined company reflect the income, assets and liabilities of all three companies for the year ended September 30, 2019. Comparative figures presented are the operating results of the three amalgamated entities for the year ended September 30, 2018.

3. PRIOR PERIOD CORRECTION

During the year, the Company corrected the direct costs to recognize a billback from One Wind Services (US) Inc. that should have been recognized in 2018.

This item has been corrected through the restatement of the September 30, 2018 balance sheet, statement of earnings and retained earnings and cash flows for the year then ended.

The correction resulted in an adjustment to the following financial statement line items:

		2018		
		As previously stated \$	Adjustment \$	As restated \$
Statement of earnings and retained earnings				
(i)	Direct costs	11,061,856	78,919	11,140,775
(ii)	Provision for income taxes - CDN	384,854	(24,465)	360,389
(iii)	Net earnings	1,541,404	(54,454)	1,486,950
(iv)	Retained earnings - end of year	3,146,856	(54,454)	3,092,402

ONE WIND SERVICES INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019 (Note 2)

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3. PRIOR PERIOD CORRECTION (Continued)

		2018		
		As previously stated \$	Adjustment \$	As restated \$
Balance sheet				
(v)	Due to related party	139,187	78,919	218,106
(vi)	Income taxes payable	413,985	(24,465)	389,520
(vii)	Retained earnings	3,146,856	(54,454)	3,092,402
Statement of cash flows				
(viii)	Net earnings for the year	1,541,404	(54,454)	1,486,950
(ix)	Income taxes payable	379,150	(24,465)	354,685
(x)	Cash advances to related party	(1,395,290)	(78,919)	(1,474,209)

4. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements were prepared in accordance with Canadian accounting standards for private enterprises and include the following significant accounting policies:

Cash

Cash consists of bank balances held with a financial institution.

Inventory

Inventory is valued at the lower of cost and net realizable value, with cost being measured using the first-in first-out method. Net realizable value is the estimated selling price in the ordinary course of business, less any applicable varying selling costs. Inventory consists of office supplies and work wear supplies.

ONE WIND SERVICES INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019 (Note 2)

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4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and equipment

Property and equipment are recorded at cost. Amortization is provided for using the following rates and methods over the estimated useful lives as follows:

Computer equipment	30%	Diminishing balance
Computer software	100%	Diminishing balance
Furniture and fixtures	20%	Diminishing balance
Leaseholds	5 years	Straight line
Motor vehicles	30%	Diminishing balance
Safety equipment	3 years	Straight line
Tools and equipment	20%	Diminishing balance

One half year's amortization is taken in the year of acquisition.

Impairment of long-lived assets

Long-lived assets are tested for impairment whenever events or changes in circumstances indicate that their carrying value may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. An impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

Goodwill

Goodwill is not subject to amortization. It is tested for impairment whenever events or changes in circumstances indicate that it might be impaired. The impairment test consists of a comparison of the fair value of the reporting unit with its carrying amount. Any impairment loss in the carrying amount compared with the fair value is charged to income in the year in which the loss is recognized.

Bank indebtedness

Bank indebtedness consists of bank overdrafts held with a financial institution that fluctuate.

Income taxes

The Company uses the income taxes payable method of accounting for income taxes whereby the provision for income taxes is based upon filings with taxation authorities.

ONE WIND SERVICES INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019 (Note 2)

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4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

The Company recognizes revenue when the service has been completed, the price is fixed or determinable and collection is reasonably assured.

Employee stock option plan

The Company grants common stock options to its employees and officers under its stock option plan. Stock-based compensation plans are accounted for on a fair value basis.

The fair value of each option is estimated on the date of grant using the Black-Scholes option pricing model. The Company takes account of the volatility of share prices of comparable public companies whose share or option pricing information is published to estimate the expected volatility in the price of its own shares.

Stock-based compensation costs, measured at grant date based on the fair value of all options granted and recognized over the service period involved, are recorded as expenses on the income statement and credited to contributed surplus. The consideration paid by employees upon exercise of the options and the fair value of the options exercised are added to share capital.

Foreign currency transactions

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange in effect at year end. Foreign currency revenues and expenses are translated at rates in effect during the year. Gains and losses from translation are included in the determination of income in the year in which they occur.

Financial instruments

Measurement of financial instruments

The Company initially measures its financial assets and financial liabilities at fair value, except transactions with non-arms length parties which are recorded at the exchange amounts established and agreed upon by the related parties.

The Company subsequently measures all its financial assets and financial liabilities at amortized cost, except transactions with non-arms length parties which are measured at their carrying value.

Financial assets measured at amortized cost include cash, accounts receivable and due from related parties.

Financial liabilities measured at amortized cost include bank indebtedness, accounts payable and accrued liabilities, due to related party and long-term debt.

ONE WIND SERVICES INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019 (Note 2)

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4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of any write down is recognized in net earnings. Any previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of a reversal is recognized in net earnings.

Use of estimates

The preparation of financial statements in accordance with Canadian accounting standards for private enterprises requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Estimates are used when accounting for items and matters such as allowance for uncollectible accounts receivable, inventory obsolescence, useful lives of property and equipment, certain accrued liabilities, provision for income tax and stock based compensation. Actual results could differ from those estimates.

5. DUE FROM RELATED PARTIES

	2019	2018
	\$	\$
One Wind Services US Holdco Incorporated	11,256	6,225
Liverpool Wind Energy Storage Project	-	38,267
Watt Section Wind Limited Partnership	<u>-</u>	<u>1,761</u>
	<u>11,256</u>	<u>46,253</u>

The amounts due from related parties, related through common ownership, are unsecured, bear no interest and have no set terms of repayment.

ONE WIND SERVICES INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019 (Note 2)

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6. PROPERTY AND EQUIPMENT

	Cost	Accumulated Amortization	Net 2019	Net 2018
	\$	\$	\$	\$
Computer equipment	98,761	45,623	53,138	37,799
Computer software	218,260	158,652	59,608	30,959
Furniture and fixtures	27,239	14,792	12,447	11,289
Leaseholds	17,526	15,516	2,010	4,589
Motor vehicles	352,656	149,413	203,243	116,060
Safety equipment	248,543	226,627	21,916	88,137
Tools and equipment	<u>537,308</u>	<u>219,270</u>	<u>318,038</u>	<u>330,169</u>
	<u>1,500,293</u>	<u>829,893</u>	<u>670,400</u>	<u>619,002</u>

7. BANK INDEBTEDNESS

The Company has the following credit facilities with Royal Bank of Canada ("RBC") available in Canadian and US currency:

- i) Revolving demand facility in the amount of \$550,000 CAD or USD equivalent, bearing interest at the Bank's prime rate or US base rate plus 1.35% per annum. As at September 30, 2019, the balance on the revolving demand facility was \$NIL (2018 - \$30,000).
- ii) Revolving facility available by a series of term loans, bearing interest at the Bank's prime rate or US base rate plus 2%, repayable subject to the repayment terms agreed upon at the time of borrowing, not to exceed 5 years. As at September 30, 2019, the balance on the revolving facility was \$NIL (2018 - \$140,588).
- iii) Revolving lease line of credit available by way of leases, repayable subject to the specific interest rates and repayment terms agreed upon at the time of borrowing. As at September 30, 2019 the balance on the revolving lease line of credit was \$NIL (2018 - \$NIL).
- iv) VISA facility in the amount of \$175,000 CAD or USD equivalent at the VISA Agreement stated interest rates. As at September 30, 2019, the balance on the VISA facility was \$74,423 (2018 - \$100,660).

The aggregate amount owing under facilities ii) and iii) must not exceed \$225,000 CAD or USD equivalent.

As security for all facilities, the Company has provided a general security agreement constituting a first ranking security interest in all personal property of the Company.

ONE WIND SERVICES INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019 (Note 2)

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8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2019	2018
	\$	\$
Accounts payable	392,483	466,911
Accrued liabilities	199,539	196,537
Government remittances payable	150,360	118,685
Bonus payable	<u>172,850</u>	<u>122,500</u>
	<u>915,232</u>	<u>904,633</u>

9. DUE TO RELATED PARTY

	2019	2018
	\$	\$
One Wind Services (US) Inc.	<u>1,244,053</u>	<u>218,106</u>

The amount due to a related party, related through common ownership, is unsecured, bears no interest and has no set terms of repayment.

10. LONG-TERM DEBT

	2019	2018
	\$	\$
<p>Roynat term loan, secured by a general security agreement creating a second charge security interest in all present and future property of the Company, general assignment of leases and rents in respect of any real property, assignment of life insurance of a shareholder of \$500,000, assignment of other appropriate risk insurance, personal guarantee of certain shareholders limited to \$1,000,000, corporate guarantee by One Wind Services (US) Inc. for the full amount. The Company must maintain a combined debt service coverage ratio of not less than 1.20:1 and a combined funded debt to EBITDA ratio of not greater than 3.0. Covenants are tested annual and on a combined basis with One Wind Services (US) Inc. At September 30, 2019, the Company was in compliance with all covenants. Repayable in equal monthly instalments of \$23,800 until March 2024, plus interest at the Bank's Canadian variable rate plus 3.50% per annum.</p>	1,957,200	-

ONE WIND SERVICES INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019 (Note 2)

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10. LONG-TERM DEBT (Continued)	2019	2018
	\$	\$
RBC term loan, repayable in equal monthly instalments of \$678 until August 2021, plus interest at the Bank's prime rate plus 1.17% per annum.	15,605	23,746
RBC term loan, repayable in equal monthly instalments of \$1,029 until December 2020, plus interest at 3.88% per annum.	15,051	26,582
Ford Credit term loan, secured by a 2018 Ford truck with a net book value of \$32,010, repayable in equal monthly instalments of \$685 until December 2023, plus interest at 3.49% per annum.	32,462	-
Ford Credit term loan, secured by a 2018 Ford truck with a net book value of \$32,010, repayable in equal monthly instalments of \$677 until December 2023, plus interest at 2.99% per annum.	32,399	-
Ford Credit term loan, secured by a 2018 Ford truck with a net book value of \$32,010, repayable in equal monthly instalments of \$685 until December 2023, plus interest at 3.49% per annum.	32,462	-
Retired debt.	<u>-</u>	<u>76,152</u>
	2,085,179	126,480
Less current portion	<u>327,378</u>	<u>71,663</u>
	<u>1,757,801</u>	<u>54,817</u>

Principal repayments due within each of the next five years on long-term debt is as follows:

	\$
2020	327,378
2021	318,518
2022	308,741
2023	309,522
2024	821,020

ONE WIND SERVICES INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019 (Note 2)

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11. SHARE CAPITAL

Authorized

Unlimited common shares without nominal or par value

	2019	2018
	\$	\$
Issued		
35,189 (2018 - 25,878) common shares	<u>352,746</u>	<u>123,086</u>

The Company has established a stock option plan for the purchase of common shares as disclosed in Note 17. This stock option plan provides for granting of stock options to directors, employees and consultants.

On April 1, 2019, all issued and outstanding commons shares were converted on a 1 share to 4.049 shares basis.

During the year, 7,692 vested options were exercised for the exercise price of \$10.68 per share and 1,619 vested options we exercised for the exercise price of \$19.84 per share (2018 - 405 vested options were exercised for the exercise price of \$10.68 per share and 1,619 options were exercised for the exercise price of \$0.0025 per share).

As a result of the amalgamation, an adjustment to share capital of \$53,697 was required.

12. CONTRIBUTED SURPLUS

	2019	2018
	\$	\$
Contributed surplus - beginning of year	53,037	10,712
Stock compensation expense	122,555	112,998
Stock options exercised during the year	(168,977)	(70,673)
	<u>6,615</u>	<u>53,037</u>

ONE WIND SERVICES INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019 (Note 2)

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13. DIRECT COSTS

	2019	2018
	\$	\$
Direct wages and benefits	2,083,989	4,492,378
Equipment	20,489	62,541
Materials	493,432	816,526
Meals and entertainment	5,243	19,098
Sub-contractors (Note 15)	14,918,061	2,783,162
Technician	73,960	355,104
Travel	424,649	1,478,506
Vehicle	<u>275,290</u>	<u>1,133,460</u>
	<u>18,295,113</u>	<u>11,140,775</u>

14. GOVERNMENT ASSISTANCE

During the year, the Company received funding from the Nova Scotia Government under the Industrial Research Assistance Program and the Graduate to Opportunity Program of \$31,429 (2018 - \$NIL) which has been recognized in other income.

During the year, the Company received funding from the Nova Scotia Government under the Industrial Research Assistance Program of \$45,297 (2018 - \$NIL) which has been recognized as a reduction in costs of the related property and equipment.

15. RELATED PARTY TRANSACTIONS

During the year, the Company entered into transactions arising from normal course of operations and recorded at exchange values, with related parties as follows:

	2019	2018
	\$	\$
Management revenue received from companies subject to significant influence	<u>38,649</u>	<u>115,634</u>
Management revenue received from a company under common control	<u>150,271</u>	<u>80,853</u>
Sub-contractor fees paid to a company under common control	<u>15,126,879</u>	<u>1,855,531</u>

ONE WIND SERVICES INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019 (Note 2)

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16. ECONOMIC DEPENDENCE

Approximately 69% (2018 - 69%) of the Company's revenue is derived from one customer. Management believes that the loss of the large volume of revenue with this customer would have a significant impact on the Company but that it does not cast doubt on the validity of the going concern assumption.

17. EMPLOYEE STOCK OPTION PLAN

The Company has an Employee Stock Option Plan ("ESOP"). Under the ESOP the Company may grant options to its employees, directors and consultants. The vesting requirements, number of options awarded, exercise price, expiry date and amount of shares awarded are to be outlined in an option agreement at the time of the award, except that the expiry date is not to exceed 5 years from the date of award.

If the option holder ceases to be an eligible participant, the Company, at any point prior to the expiry date, shall have the right to purchase the vested and exercised options for a cancellation fee, being the aggregate of the amount by which the fair market value of the shares on the date of termination exceeds the fair market value of the shares on the award date and the aggregate exercise price paid by the option holder.

On April 1, 2019, an option exchange agreement was signed to amend the number of both exercised and un-exercised options at a rate of 1 option to 4.049 amended options. All references to options (both past and current) utilizes the amended number of options.

During the year ended September 30, 2015, the Company granted 14,170 stock options to 3 employees of which 2,834 have an exercise price of \$0.0025 each and 11,336 have an exercise price of \$10.68 each. This arrangement contains a graded vesting schedule in which 2,834 options vest annually starting December 31, 2015 through to December 31, 2019. These options expire 2 years after their vesting date. On December 31, 2015, 2,834 options vested and were immediately exercised for \$0.0025 each. On December 31, 2016, 2,834 options vested and 405 were immediately exercised for \$10.68 each. On December 31, 2017, 2,834 options vested and 405 were immediately exercised for \$10.68 each. On December 31, 2018, 2,834 options vested. On April 2, 2019, 7,692 options were exercised for \$10.68 each. As at September 30, 2019, 2,834 (2018 - 10,526) of these options were outstanding.

During the year ended September 30, 2017, the Company granted 8,097 stock options to 2 employees of which 1,619 have an exercise price of \$0.0025 each and 6,478 have an exercise price of \$19.84 each.

ONE WIND SERVICES INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019 (Note 2)

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17. EMPLOYEE STOCK OPTION PLAN (Continued)

This arrangement contains a graded vesting schedule in which 1,619 options vest annually starting September 30, 2017 and annually thereafter on December 31, 2018 through to December 31, 2021. These options expire 2 years after their vesting date. On September 30, 2017, 1,619 options vested and in November 2017 were exercised for \$0.0025 each. On December 31, 2018, 1,619 options vested and on April 2, 2019 were exercised for \$19.84 each. At September 30, 2019, 4,858 (2018 - 6,478) of these options were outstanding.

18. PROVISION FOR INCOME TAXES

The impact of differences between the Company's reported income tax expense on operating income and the expense that would otherwise result from the application of statutory rates is as follows:

	2019 \$	2018 \$
Income tax expense at the combined basic federal and provincial tax rate for small businesses	815,372	328,274
Amortization in excess of capital cost allowance claimed	486	5,822
Unrealized foreign exchange gain	(3,294)	(7,473)
Non-deductible stock based compensation expense	34,314	19,728
Non-deductible meals	22,528	708
Non-deductible penalties and interest	4,541	1,946
Non-deductible professional fees	23,411	3,071
Prior corporate income tax return amendments	72,895	-
Other items	<u>1,718</u>	<u>8,313</u>
Effective tax expense	<u><u>971,971</u></u>	<u><u>360,389</u></u>

19. FINANCIAL INSTRUMENTS

Risks and concentrations

The Company is exposed to various risks through its financial instruments. The following analysis provides a measure of the Company's risk exposure and concentrations at September 30, 2019.

It is management's opinion that the Company is not exposed to significant price risk from its financial instruments. The risks arising on financial instruments are limited to the following:

19. FINANCIAL INSTRUMENTS (Continued)

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash and accounts receivable. The Company deposits its cash in reputable financial institutions and therefore believes the risk of loss to be remote. The Company is exposed to credit risk from customer accounts receivable. The Company has significant exposure to one customer that accounts for 65% (2018 - 78%) of the Company's accounts receivable balance. The Company does not obtain collateral or other security to support the accounts receivable subject to credit risk. The Company assesses the financial position of this customer on a regular basis and historically has had no collection issues with this customer. A provision for impairment of accounts receivable is established when there is objective evidence that the Company will not be able to collect all amounts due.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company is exposed to this risk mainly in respect of its bank indebtedness, accounts payable and accrued liabilities, amounts due to related party and long-term debt. The Company generates sufficient cash flow from operating activities to fund operations and fulfill obligations as they become due. Sufficient financing facilities are in place should cash requirements exceed cash generated from operations.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Company is mainly exposed to currency risk and interest rate risk.

ONE WIND SERVICES INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019 (Note 2)

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19. FINANCIAL INSTRUMENTS (Continued)

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Approximately 68% (2018 - 69%) of the Company's sales are in foreign currency. Consequently, some assets are exposed to foreign exchange fluctuations. As at September 30, 2019, cash, bank indebtedness, accounts receivable and accounts payable and accrued liabilities of \$235,071, \$NIL, \$4,803,555 and \$3,911 respectively, (2018 - \$118,171, \$NIL, \$2,884,383 and \$167,840) are recorded in US dollars and converted into Canadian dollars. The Company has not entered into foreign exchange contracts to hedge this risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its financial obligations at variable interest rates.

20. SUBSEQUENT EVENTS

Subsequent to year end, the Company was acquired by Spark Energy Group, a publicly traded entity. Immediately prior to the acquisition by Spark Energy Group, the Company repaid the balance of its long-term debt and the outstanding options as disclosed in Note 17 vested and were exercised as follows: 2,834 options were exercised for \$10.68 each and 4,858 options were exercised for \$19.84 each.

21. COMPARATIVE FIGURES

Certain figures presented for comparative purposes have been reclassified to conform with the financial statement presentation adopted for the current year.

ONE WIND SERVICES (US) INC.
FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

ONE WIND SERVICES (US) INC.
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SEPTEMBER 30, 2019

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of:
One Wind Services (US) Inc.

Opinion

We have audited the financial statements of **One Wind Services (US) Inc.** ("the Company"), which comprise the balance sheet as at September 30, 2019 and the statements of earnings and retained earnings and cash flows for the year 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 September 30, 2019, and results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditors' 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 audit 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.

Other Matter

The comparative figures of **One Wind Services (US) Inc.** for the year ended September 30, 2018 are unaudited.

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 Canadian accounting standards for private enterprises, 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.

Auditors' 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 auditors' 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 judgment 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 control.
- 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 control.
- 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 audit 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 auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to 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.

Baker Tilly Nova Scotia Inc

Dartmouth, Nova Scotia
January 13, 2020

Chartered Professional Accountants
Licensed Public Accountants

ONE WIND SERVICES (US) INC.
STATEMENT OF EARNINGS AND RETAINED EARNINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

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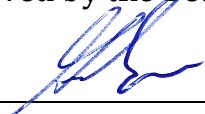
	2019	2018
	USD	USD
	\$	\$
REVENUE (Note 9)	11,492,185	1,444,218
DIRECT COSTS (Note 8)	<u>10,267,472</u>	<u>1,245,599</u>
GROSS PROFIT	<u>1,224,713</u>	<u>198,619</u>
OPERATING EXPENSES		
Advertising and promotion	1,754	-
Amortization	49,840	-
Dues and fees	2,041	-
Insurance	60,376	11,359
Interest and bank charges	6,356	1,627
Lease expense	56,851	1,020
Office supplies	15,005	55
Professional fees	34,645	12,940
Management fees (Note 9)	114,000	58,500
Salaries and benefits	246,874	44,345
Travel	75,656	-
Utilities	<u>1,102</u>	<u>-</u>
	<u>664,500</u>	<u>129,846</u>
EARNINGS BEFORE INCOME TAXES	560,213	68,773
PROVISION FOR INCOME TAXES (Note 11)	<u>83,607</u>	<u>30,736</u>
NET EARNINGS	476,606	38,037
RETAINED EARNINGS - beginning of year	<u>38,037</u>	<u>-</u>
RETAINED EARNINGS - end of year	<u>514,643</u>	<u>38,037</u>

ONE WIND SERVICES (US) INC.
BALANCE SHEET
AS AT SEPTEMBER 30, 2019

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	2019	2018
	USD	USD
	\$	\$
ASSETS		
CURRENT		
Cash	108,131	58,804
Accounts receivable	11,389	18,667
Inventory	46,780	-
Prepays	<u>92,271</u>	<u>-</u>
	258,571	77,471
DUE FROM RELATED PARTIES (Note 3)	941,956	173,940
PROPERTY AND EQUIPMENT (Note 4)	<u>298,208</u>	<u>-</u>
	<u>1,498,735</u>	<u>251,411</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 5)	931,069	182,538
Income taxes payable	<u>52,923</u>	<u>30,736</u>
	<u>983,992</u>	<u>213,274</u>
SHAREHOLDER'S EQUITY		
SHARE CAPITAL (Note 6)	100	100
RETAINED EARNINGS	<u>514,643</u>	<u>38,037</u>
	<u>514,743</u>	<u>38,137</u>
	<u>1,498,735</u>	<u>251,411</u>
CONTINGENCY (Note 7)		
SUBSEQUENT EVENT (Note 13)		

Approved by the Board



Director

ONE WIND SERVICES (US) INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

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	2019	2018
	USD	USD
	\$	\$
CASH PROVIDED BY (USED FOR):		
OPERATING		
Net earnings	476,606	38,037
Item not affecting cash		
Amortization	<u>49,840</u>	<u>-</u>
	526,446	38,037
Changes in non-cash working capital items		
Accounts receivable	7,278	(18,667)
Inventory	(46,780)	-
Prepays	(92,271)	-
Accounts payable and accrued liabilities	748,531	182,538
Income taxes payable	<u>22,187</u>	<u>30,736</u>
	<u>1,165,391</u>	<u>232,644</u>
FINANCING		
Cash advances to related party	2,162	-
Cash receipts from related party	(770,178)	(173,940)
Share capital issuance	<u>-</u>	<u>100</u>
	(768,016)	(173,840)
INVESTING		
Acquisition of property and equipment	(348,048)	<u>-</u>
CHANGE IN CASH	49,327	58,804
CASH - beginning of year	<u>58,804</u>	<u>-</u>
CASH - end of year	<u><u>108,131</u></u>	<u><u>58,804</u></u>

ONE WIND SERVICES (US) INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

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1. OPERATIONS

One Wind Services (US) Inc. ("the Company") is a private company, incorporated on April 20, 2015 under the Texas Business Organizations Code. The Company provides development, construction, operation and maintenance services to clients in the wind power generation business.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements are presented in United States dollars, which is the Company's functional currency, and were prepared in accordance with Canadian accounting standards for private enterprises and include the following significant accounting policies:

Cash

Cash consists of a bank balance held with a financial institution.

Inventory

Inventory is valued at the lower of cost and net realizable value, with cost being measured using the first-in first-out method. Net realizable value is the estimated selling price in the ordinary course of business, less any applicable varying selling costs.

Property and equipment

Property and equipment are recorded at cost. Amortization is provided for using the following rates and methods over the estimated useful lives as follows:

Computer equipment	30%	Diminishing balance
Computer software	100%	Diminishing balance
Tools and equipment	20%	Diminishing balance
Furniture and fixtures	20%	Diminishing balance
Safety equipment	33%	Diminishing balance

One half year's amortization is taken in the year of acquisition.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of long-lived assets

Long-lived assets are tested for impairment whenever events or changes in circumstances indicate that their carrying value may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. An impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

Income taxes

The Company uses the income taxes payable method of accounting for income taxes whereby the provision for income taxes is based upon filings with taxation authorities.

Revenue recognition

The Company recognizes revenue when the service has been completed, the price is fixed or determinable and collection is reasonably assured.

Financial instruments

Measurement of financial instruments

The Company initially measures its financial assets and financial liabilities at fair value.

The Company subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash, accounts receivable and amounts due from related parties.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of any write down is recognized in net earnings. Any previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of a reversal is recognized in net earnings.

ONE WIND SERVICES (US) INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of estimates

The preparation of financial statements in accordance with Canadian accounting standards for private enterprises requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Estimates are used when accounting for items and matters such as allowance for uncollectible accounts receivable, inventory obsolescence, useful lives of property and equipment, certain accrued liabilities and provision for income taxes. Actual results could differ from those estimates.

3. DUE FROM RELATED PARTIES

	2019 \$	2018 \$
One Wind Services Inc.	939,453	171,437
One Wind Services US Holdco Incorporated	<u>2,503</u>	<u>2,503</u>
	<u>941,956</u>	<u>173,940</u>

The amounts due from parties, related through common ownership, bear no interest and have no set terms of repayment.

4. PROPERTY AND EQUIPMENT

	Cost \$	Accumulated Amortization \$	Net 2019 \$	Net 2018 \$
Computer equipment	12,291	1,844	10,447	-
Computer software	2,158	1,079	1,079	-
Tools and equipment	124,224	12,422	111,802	-
Furniture and fixtures	6,013	601	5,412	-
Safety equipment	<u>203,361</u>	<u>33,893</u>	<u>169,468</u>	<u>-</u>
	<u>348,047</u>	<u>49,839</u>	<u>298,208</u>	<u>-</u>

ONE WIND SERVICES (US) INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

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5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2019	2018
	\$	\$
Accounts payable and accrued liabilities	533,417	19,609
Accrued wages and benefits	364,315	160,045
Government remittances payable	<u>33,337</u>	<u>2,884</u>
	<u>931,069</u>	<u>182,538</u>

6. SHARE CAPITAL

Authorized

Unlimited common shares with nominal or par value

	2019	2018
	\$	\$
Issued		
100 common shares	<u>100</u>	<u>100</u>

7. CONTINGENCY

The Company has provided a guarantee against the borrowing of related party, One Wind Services Inc. with Roynat. The total loan balance as at September 30, 2019 was \$1,957,200 (2018 - \$NIL). Subsequent to year end, the related party repaid the loan in full.

8. DIRECT COSTS

	2019	2018
	\$	\$
Direct wages and benefits	5,994,913	995,189
Travel	2,163,675	193,560
Vehicle	1,494,708	46,624
Materials	302,140	4,950
Technician	258,505	4,718
Subcontractors	41,302	-
Equipment	<u>12,229</u>	<u>558</u>
	<u>10,267,472</u>	<u>1,245,599</u>

ONE WIND SERVICES (US) INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

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9. RELATED PARTY TRANSACTIONS

During the year, the Company entered into transactions arising from normal course of operations and recorded at exchange values, with related parties as follows:

	2019 \$	2018 \$
Revenue received from a company under common control	<u>11,478,567</u>	<u>1,444,218</u>
Management fees paid to a company under common control	<u>114,000</u>	<u>58,500</u>

10. ECONOMIC DEPENDENCE

Approximately 100% (2018 - 100%) of the Company's revenue is derived from one customer. Management believes that the loss of the large volume of revenue with this customer would have a significant impact on the Company, but does not cast doubt on the validity of the going concern assumption.

11. INCOME TAXES

The impact of differences between the Company's reported income tax expense on operating income and the expense that would otherwise result from the application of statutory rates is as follows:

	2019 \$	2018 \$
Income tax expense at the combined basic federal and state tax rate	143,042	15,828
Depreciation for tax purposes in excess of amortization	(52,288)	-
Accrued salaries and benefits	(8,458)	14,256
State tax adjustments	(2,370)	652
Non-deductible meals	3,310	-
Non-deductible interest	<u>371</u>	<u>-</u>
Effective tax expense	<u>83,607</u>	<u>30,736</u>

12. FINANCIAL INSTRUMENTS

Risks and concentrations

The Company is exposed to various risks through its financial instruments. The following analysis provides a measure of the Company's risk exposure and concentrations at September 30, 2019.

It is management's opinion that the Company is not exposed to significant market, currency, interest rate, or price risks from its financial instruments. The risks arising on financial instruments are limited to the following:

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash and accounts receivable. The Company is exposed to credit risk from customer accounts receivable. A provision for impairment of accounts receivable is established when there is objective evidence that the Company will not be able to collect all amounts due.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company is exposed to this risk mainly in respect of its accounts payable and accrued liabilities. The Company generates sufficient cash flow from operating activities to fund operations and fulfill obligations as they become due. Sufficient financing facilities are in place should cash requirements exceed cash generated from operations.

13. SUBSEQUENT EVENT

Subsequent to year end, the Company was acquired by Spark Energy Group, a publicly traded entity.