# SPARTON RESOURCES INC.

## UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

**For the six-month periods ended June 30, 2022 and 2021**

**(Expressed in Canadian dollars)**

## NOTICE OF NO AUDITOR REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102 if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim condensed consolidated financial statements of Sparton Resources Inc. ("the Company") have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

**SPARTON RESOURCES INC.**

**UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**For the six-month periods ended June 30, 2022 and 2021**
**(Expressed in Canadian dollars)**

# SPARTON RESOURCES INC.

## Unaudited Condensed Interim Consolidated Statements of Financial Position
## As at June 30, 2022 and December 31, 2021

**(Expressed in Canadian dollars)**

| | Notes | June 30, 2022 | December 31, 2021 |
|---|---|---|---|
| **Assets** | | | |
| Current assets | | | |
| Cash | | 55,862 | 236,447 |
| Amounts receivable | | 125,365 | 122,568 |
| Prepaid expenses and other current assets | | 2,235 | 10,170 |
| Marketable securities | | 3,866 | 9,658 |
| Total current assets | | 187,328 | 378,843 |
| | | | |
| Property, plant and equipment | | 75,968 | 50,505 |
| Long-term investment | 11 | 1,493,856 | 1,493,856 |
| Total assets | | 1,757,152 | 1,923,204 |

See accompanying notes to the unaudited condensed interim consolidated financial statements.

# SPARTON RESOURCES INC.

## Unaudited Condensed Interim Consolidated Statements of Financial Position
## As at June 30, 2022 and December 31, 2021

**(Expressed in Canadian dollars)**

| | Notes | June 30, 2022 | December 31, 2021 |
|---|---|---|---|
| **Liabilities** | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | | 100,447 | 90,601 |
| Due to related parties | 8 | 224,851 | 221,470 |
| Loans payable | 6 | 222,540 | 241,001 |
| Total current liabilities | | 547,838 | 553,072 |
| Total liabilities | | 547,838 | 553,072 |
| **Equity** | | | |
| Common shares | 7(a) | 19,592,721 | 19,592,721 |
| Warrants | 7(c) | 2,635 | 2,635 |
| Contributed surplus | 7(a) | 350,083 | 350,083 |
| Share-based payment reserve | 7(b) | 126,036 | 126,036 |
| Accumulated other comprehensive income | | 589,917 | 589,917 |
| Deficit | | (19,797,236) | (19,636,421) |
| Equity attributable to shareholders | | 864,156 | 1,024,971 |
| Non-controlling interests | | 345,158 | 345,161 |
| Total equity | | 1,209,314 | 1,370,132 |
| Total liabilities and equity | | 1,757,152 | 1,923,204 |

Nature of operations and going concern (Note 1)

Commitments and contingencies (Note 9)

Signed: "Richard Williams", Director

Signed: "A. Lee Barker", Director

See accompanying notes to the unaudited condensed interim consolidated financial statements.

# SPARTON RESOURCES INC.

## Unaudited Condensed Interim Consolidated Statement of Loss
## For the six monts ended June 30, 2022 and 2021

**(Expressed in Canadian dollars, except for per share amount)**

| | Notes | 3 months ended June 30, 2022 | 3 months ended June 30, 2021 | 6 months ended June 30, 2022 | 6 months ended June 30, 2021 |
|---|---|---|---|---|---|
| | | $ | $ | $ | $ |
| Drilling revenue | | 289,785 | 2,814 | 556,885 | 110,549 |
| Drilling costs | | (286,163) | (30,672) | (505,689) | (105,926) |
| Gross profit | | 3,622 | (27,858) | 51,196 | 4,623 |
| **Expenses** | | | | | |
| Exploring and evaluating expenditures | 5 | 34,145 | 9,080 | 104,527 | 32,908 |
| General and administrative expenses | 8 | 15,244 | (4,163) | 40,763 | 12,522 |
| Investor relations | | 3,028 | - | 3,316 | 75 |
| Management and consultant fees | 8 | 9,000 | 9,000 | 18,000 | 18,000 |
| Professional fees | | 3,855 | 8,031 | 13,299 | 8,031 |
| Occupancy costs | | 4,500 | 4,500 | 9,000 | 9,000 |
| Transfer agent, filing and listing fees | | 6,494 | 6,102 | 15,778 | 22,811 |
| Interest expense and financing costs | | 770 | 2,719 | 1,539 | 7,054 |
| Foreign exchange (gain) loss | | - | (289) | - | (309) |
| | | 77,036 | 34,980 | 206,222 | 110,092 |
| **Loss before other income** | | (73,414) | (62,838) | (155,026) | (105,469) |
| Investment (loss) gain | | (4,609) | (634) | (5,792) | 1,066 |
| Other expenses | | - | (19,165) | | (19,165) |
| **Net loss** | | (78,023) | (82,637) | (160,818) | (123,568) |
| Net loss per share, basic and diluted | | (0.00) | (0.00) | (0.00) | (0.00) |
| Weighted average number of shares outstanding | | | | | |
| Basic and diluted | | 146,941,537 | 140,755,923 | 146,941,537 | 139,499,017 |
| Net loss attributed to | | | | | |
| Non-controlling interests | | - | (37) | (3) | (40) |
| Shareholders of the Company | | (78,023) | (82,600) | (160,815) | (123,528) |
| | | (78,023) | (82,637) | (160,818) | (123,568) |

See accompanying notes to the unaudited condensed interim consolidated financial statements.

# SPARTON RESOURCES INC.

## Unaudited Condensed Interim Consolidated Statements of Comprehensive Loss

## For the six monts ended June 30, 2022 and 2021

**(Expressed in Canadian dollars)**

| | Notes | 3 months ended June 30, 2022 | 3 months ended June 30, 2021 | 6 months ended June 30, 2022 | 6 months ended June 30, 2021 |
|---|---|---|---|---|---|
| | | $ | $ | $ | $ |
| Net loss for the period | | (78,023) | (82,637) | (160,818) | (123,568) |
| Other comprehensive income loss | | | | | |
| Gain (loss) on translation of foreign operations | | - | - | - | - |
| | | (78,023) | (82,637) | (160,818) | (123,568) |
| Comprehensive loss attributed to | | | | | |
| Non-controlling interests | | (37) | (7,598) | (3) | (40) |
| Shareholders of the Company | | (77,986) | (75,039) | (160,815) | (123,528) |
| | | (78,023) | (82,637) | (160,818) | (123,568) |

See accompanying notes to the unaudited condensed interim consolidated financial statements.

# SPARTON RESOURCES INC.

## Unaudited Condensed Interim Consolidated Statements of Changes in Equity

**(Expressed in Canadian dollars, except shares)**

| | Notes | Common shares<br>Shares | Common shares<br>Amount | Warrants | Contributed surplus | Share-based payment reserve | Accumulated other comprehensive Income (loss) | Deficit | Subtotal shareholders' equity | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| **Balance at December 31, 2020** | | **139,455,923** | **18,672,054** | **161,239** | **350,083** | **150,358** | **585,413** | **(19,279,042)** | **640,105** | **345,282** | **985,387** |
| Net loss for the period | | - | - | | | - | - | (123,528) | (123,528) | (40) | (123,568) |
| Issuance of shares for cash | 7(a) | 300,000 | 39,275 | (9,275) | - | - | - | - | 30,000 | - | 30,000 |
| Issuance of shares for cash | 7(a) | 1,000,000 | 105,688 | - | - | (55,688) | - | - | 50,000 | - | 50,000 |
| **Balance at June 30, 2021** | | **140,755,923** | **18,817,017** | **151,964** | **350,083** | **94,670** | **585,413** | **(19,402,570)** | **596,577** | **345,242** | **941,819** |
| Net loss for the period | | - | - | | | - | - | (236,725) | (236,725) | (81) | (236,806) |
| Issuance of options | 7(b) | - | - | - | - | 87,054 | - | - | 87,054 | - | 87,054 |
| Exercise of warrants | 7(a) | 4,685,614 | 615,016 | (146,455) | - | - | - | - | 468,561 | - | 468,561 |
| Exercise of options | 7(a) | 1,000,000 | 105,688 | - | - | (55,688) | - | - | 50,000 | - | 50,000 |
| Expiry of warrants | 7(c) | - | - | (2,874) | - | - | - | 2,874 | - | - | - |
| Shares issued for property | 7(a) | 500,000 | 55,000 | - | - | - | - | - | 55,000 | - | 55,000 |
| Translation of foreign operations | | - | - | - | - | - | 4,504 | - | 4,504 | - | 4,504 |
| **Balance at December 31, 2021** | | **146,941,537** | **19,592,721** | **2,635** | **350,083** | **126,036** | **589,917** | **(19,636,421)** | **1,024,971** | **345,161** | **1,370,132** |
| Net loss for the period | | - | - | | | - | - | (160,815) | (160,815) | (3) | (160,818) |
| **Balance at June 30, 2022** | | **146,941,537** | **19,592,721** | **2,635** | **350,083** | **126,036** | **589,917** | **(19,797,236)** | **864,156** | **345,158** | **1,209,314** |

See accompanying notes to the unaudited condensed interim consolidated financial statements.

# SPARTON RESOURCES INC.

## Unaudited Condensed Interim Consolidated Statements of Cash Flows
## For the six monts ended June 30, 2022 and 2021

**(Expressed in Canadian dollars)**

| | Notes | 6 months ended June 30, 2022 | 6 months ended June 30, 2021 |
|---|---|---|---|
| | | $ | $ |
| **Operating activities** | | | |
| Net loss | | (160,818) | (123,568) |
| Items not involving cash | | | |
| Share based payments | | - | - |
| Amortization of property, plant and equipment | | 9,282 | 2,750 |
| Accrued interest expense | | 1,539 | 8,693 |
| Loss (gain) on investment | | 5,792 | (1,066) |
| | | (144,205) | (113,191) |
| Changes in non-cash working capital | | 18,615 | (34,451) |
| | | (125,590) | (147,642) |
| **Investing activities** | | | |
| Purchase of property, plant and equipment | | (34,995) | - |
| | | (34,995) | - |
| **Financing activities** | | | |
| Shares issued for cash | | - | 80,000 |
| Repayment of loans payable | 7 | (20,000) | - |
| | | (20,000) | 80,000 |
| Decrease in cash | | (180,585) | (67,642) |
| Cash, beginning of period | | 236,447 | 102,840 |
| **Cash, end of period** | | 55,862 | 35,198 |

See accompanying notes to the unaudited condensed interim consolidated financial statements.

## 1. NATURE OF OPERATIONS AND GOING CONCERN

Sparton Resources Inc. (the "Company" or “Sparton”) was incorporated in Ontario, Canada, pursuant to the Business Corporation Act (Ontario). Its common shares are listed on the TSX Venture Exchange (“TSX-V”). The Company’s registered head office address is 81A Front Street East, Unit 216, Toronto, Ontario, M5E 1Z7. It is an exploration and development stage company and has interests in exploration properties in Canada.

The majority of the Company’s efforts were devoted to financing exploration for a number of resource projects, seeking new business for the drilling operation and assisting in the development of the vanadium redox flow battery business.

The Company has completed initial exploration drilling programs on its Ontario and Quebec, Canada, gold projects. The Company continues to evaluate and seek new domestic and international exploration opportunities. These unaudited condensed interim consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and have to realize its assets and liquidate its liabilities and commitments at amounts different from those in the accompanying unaudited condensed interim consolidated financial statements. These adjustments could be material.

Management is pursuing initiatives intended to address the current working capital deficiency. As at June 30, 2022, the Company had a working capital deficiency of $360,510 (December 31, 2021 - $174,229) and a deficit of $19,797,236 (December 31, 2021 - $19,636,421). Due to the continuing operating losses, the Company’s ability to continue as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operations. The Company has an available investment that is carried on the books at a value of $1,493,856 as of June 30, 2022. Should the Company be able to liquidate this investment at the carried value or more, the Company should be able to meet its financial obligations and continue operations in the near future. Management believes it will be successful in obtaining the necessary funding to continue operations in the normal course of operations; however, there is no assurance that these funds will be available on terms acceptable to the Company. These conditions indicate the existence of material uncertainties that may cast significant doubt on the Company’s ability to continue as a going concern.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Statement of Compliance:

These unaudited condensed interim consolidated financial statements of the Company and its subsidiaries were prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standard Board (“IASB”), and the IFRS Interpretations Committee (formerly “IFRIC”). They were also prepared in accordance with IAS34, Interim Financial Reporting. These accounting policies are based on the IFRS standards and IFRIC interpretations that are expected to be applicable at December 31, 2022. These unaudited condensed interim consolidated financial statements were approved by the board of directors of the Company on August 26, 2022.

The policies used for preparation of these unaudited interim condensed consolidated financial statements were the same accounting policies and methods of application as the audited consolidated financial statements of the Company for the year ended December 31, 2021 and were consistently applied to all the periods presented unless otherwise noted below. They do not include all of the information and disclosures required for annual financial statements. For further information, see the Company’s audited consolidated financial statements for the year ended December 31, 2021.

These unaudited condensed interim consolidated financial statements were prepared on a going concern basis, under the historical cost convention. The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

**(Unless otherwise stated, all amounts are in Canadian dollars)**

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Basis of Consolidation:

The unaudited condensed interim consolidated financial statements include the accounts of the Company and its subsidiaries and joint operations, as noted below.

| Entity | Incorporation | Ownership June 30, 2022 | Ownership December 31, 2021 |
|---|---|---|---|
| EDCOR Drilling Services Inc. | Canada | 100.00% | 100.00% |
| Sparton International Holdings Inc. | BVI | 100.00% | 100.00% |
| VanSpar Mining Inc. | BVI | 87.46% | 87.46% |

As at June 30, 2022 and December 31, 2021, the Company wholly owned EDCOR Drilling Services Inc. (“EDCOR”) and Sparton International Holdings Inc. (“SIH”). SIH owned an 87.46% interest in VanSpar Mining Inc. (“VanSpar”).

Subsidiaries are entities over which the Company has control, where control is determined based on whether the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The effects of potential voting rights that are currently exercisable are considered when assessing whether control exists. Subsidiaries are fully consolidated when control is transferred to the Company, and become unconsolidated when control ceases.

Intercompany transactions and balances between subsidiaries are eliminated upon consolidation.

The Company has assessed the nature of its joint arrangement and determined it to be classified as a joint operation. The Company’s subsidiary EDCOR has a joint operation with a joint operation partner. In 2017, the Company’s subsidiary VanSpar entered into a profit-sharing agreement with a private investor. The Company has determined this profit-sharing agreement is a joint operation.

IFRS 11 “Joint Arrangements” requires an entity to consider whether a joint arrangement is structured through a separate vehicle, as well as the terms of the contractual arrangement and other relevant facts and circumstances, to assess whether the parties are entitled to the net assets of the joint arrangement (a “joint venture”) or to a share of the assets and liabilities of the joint arrangement (a “joint operation”). Joint ventures are accounted for using the equity method, whereas joint operations are accounted for by recognizing the parties’ right to the assets and obligations for the liabilities.

### Standards, amendments, and interpretations Issued but not yet adopted

New and amendments to IFRSs in issue but not yet effective except for the above, the Company has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]

[1] Effective for annual periods beginning on or after a date to be determined

The management is currently assessing its impact of adopting these amendments and don’t expect material impact on the consolidated financial statements in the foreseeable future.

**(Unless otherwise stated, all amounts are in Canadian dollars)**

## 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements requires management to make estimates and judgments about the future. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates will, by definition, seldom equal the actual results. The following discussion sets forth management's:

- most critical estimates and assumptions in determining the value of assets and liabilities; and
- most critical judgments in applying accounting policies.

The critical accounting estimates and judgements used for preparation of these unaudited interim condensed consolidated financial statements were the same as the audited consolidated financial statements of the Company for the year ended December 31, 2021.

## 4. FINANCIAL INSTRUMENTS AND RISKS MANAGEMENT

### Financial Instruments

Financial instruments measured at fair value on the statement of financial position require classification into one of the following levels of the fair value hierarchy:

Level 1–Unadjusted quoted prices inactive markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2–Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3–Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

| | | | | As at June 30, 2022 |
|---|---|---|---|---|
| | Level 1<br>$ | Level 2<br>$ | Level 3<br>$ | Total<br>$ |
| Cash | 55,862 | - | - | 55,862 |
| Marketable securities | 3,866 | - | - | 3,866 |
| Investment available for sale | - | - | 1,493,856 | 1,493,856 |
| | 59,728 | - | 1,493,856 | 1,553,584 |

| | | | | As at December 31, 2021 |
|---|---|---|---|---|
| | Level 1<br>$ | Level 2<br>$ | Level 3<br>$ | Total<br>$ |
| Cash | 236,447 | - | - | 236,447 |
| Marketable securities | 9,658 | - | - | 9,658 |
| Investment available for sale | - | - | 1,493,856 | 1,493,856 |
| | 246,105 | - | 1,493,856 | 1,739,961 |

## 4. FINANCIAL INSTRUMENTS AND RISKS MANAGEMENT (Continued)

The carrying value of cash approximate their fair value because of the short term maturity of these instruments. The fair value of the marketable securities is based on the market-quoted fair value of the instruments.

The Company's subsidiary VanSpar has an investment in a private company: VRB. This investment has been classified as a financial asset of fair value through other comprehensive income ("FVTOCI"). At June 30, 2022, the fair value of the investment available for sale was revalued to be $1,493,856, based on a private placement price of shares of VRB of US$0.065 per share in July 2019 (Note 12). The fair value of this investment did not change significantly during the year 2021 and the period in 2022.

The short-term debts and the due to related parties are interest-bearing loans and borrowings valued at amortized cost using the effective interest rates of the loans.

Risk factors and the impact on the Company's financial instruments are summarized below. There have been no changes in the risks, objectives, policies and procedures from the previous year.

Credit Risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash, restricted cash and marketable securities. Cash, restricted cash and marketable securities are held with reputable Canadian chartered banks and Chinese banks which are closely monitored by management. Management believes that the credit risk concentration with respect to financial instruments included in cash.

Liquidity Risk

The Company has a liquidity concern. As at June 30, 2022, the Company had a cash balance of $55,862 and marketable securities of $3,866 to settle current liabilities of $547,838. The Company's accounts payable and accrued liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The short-term loans plus interest of $222,540 are due on demand. The Company will continue its efforts to obtain adequate financing and reach profitable levels of operations, or liquidate the asset for sale.

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity prices. The impact of currency risk is noted below.

Interest Rate Risk

The Company carries short-term debt on which interest is payable at a fixed rate. The Company currently does not carry interest bearing debt at floating rates.

## 4. FINANCIAL INSTRUMENTS AND RISKS MANAGEMENT (Continued)

Foreign Currency Risk

The Company is exposed to foreign exchange rate risk, as a portion of the Company's business is carried out in US dollars ("USD") and the Company and its subsidiaries maintain USD denominated bank accounts. Unfavorable changes in the applicable exchange rate between USD and the Canadian dollar may result in a material change in foreign exchange gain or loss. The Company and its subsidiaries do not use derivative instruments to reduce the exposure to foreign currency risk.

The Company's activities that result in exposure to fluctuations in foreign currency exchange rates consist of the purchase of properties and the purchase of services, materials and equipment from suppliers invoiced in foreign currencies. As at December 31, 2021, approximately 78% of its assets were carried in foreign currencies, and approximately 0% of expenses in 2021 were incurred in foreign currencies.

The Company is exposed to currency risk through the following assets and liabilities denominated in currencies other than the Canadian dollar:

| Balances as at December 31, 2021 | US$ |
|---|---|
| Cash | 713 |
| Investment in VRB | 1,170,000 |
| Net exposure | 1,170,713 |

Securities Price Risk

The Company carries investments in certain public securities for which price fluctuations can affect the Company's earnings. The Company has classified these investments as financial assets at fair value through profit or loss where price volatility is reflected in operations.

The Company's subsidiary VanSpar has investment in a private company VRB (Note 12). This investment has been classified as financial assets measured at fair value, with any resultant gain or loss being recognized directly under other comprehensive income (loss). Unfavorable changes in the price of the JDH shares may result in a material change in the value of the investment and in other comprehensive income or loss.

Sensitivity Analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" in the year:

(i) Interest rate risk is remote as the interest rate on the Company's short-term debt is fixed.

(ii) As at June 30, 2022, a 10% fluctuation in the exchange rate from US$ to CDN$ will have an impact of about $117,070 on its comprehensive loss.

(iii) Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability of development depends upon the world market price of vanadium. Commodity prices have fluctuated widely in recent periods. There is no assurance that commercial quantities of commodities may be produced in the future, or that a profitable market will exist for them. A decline in the market price of the commodities may affect the completion of future equity transactions and may also affect the Company's liquidity and its ability to meet its ongoing obligations.

## 5. EXPLORATION AND EVALUATION PROJECTS

### Sir Harry Oakes Gold Property, Canada

On Sept. 25, 2019, the Company announced that it has secured an option to purchase a strategic gold prospect, comprising 3 Mining Leases (the "Leases") in the Matachewan gold mining area of northern Ontario. In addition, the Company has also acquired through staking, an additional 12 Mining Claim Units (approximately 300 hectares) adjacent to the area of the Mining Leases (the "Claims"). On January 7, 2020, the Company issued 100,000 common shares to the former owner of the Leases, valued at $3,000.

Sparton has executed a 4-year Option to Purchase Agreement with a private owner of the Leases whereunder it has the right to purchase a 100% interest in the Leases. The Company must cover the Lease renewal costs on behalf of the current private owner and plans an exploration program on the Leases and Claims. If the Company elects to exercise its option and purchase the Leases it will pay the current private owner a total of 1,500,000 common shares of the Company over the 4-year option period, and the current owner will be eligible to receive a 1% Net Smelter Return Production Royalty from production on the Leases and any other property acquired by Sparton within one kilometer from the Lease boundaries. On March 17, 2020, the Company issued 1,000,000 shares to each of the owners (2,000,000 shares in total, valued at $40,000).

On July 6, 2020, the Company announced that it acquired 18 additional mining claim units adjacent to or nearby to the Oakes Mining Leases for a cash consideration of $6,000. On September 4, 2020, the Company received a work permit for the project, and commenced a drill program on the project on October 19, 2020.

In October 2020, the Company issued 100,000 common shares to the Vendor of the Oakes area Mining Leases, as per the terms of the original Option Agreement to acquire these leases, that were valued at $6,000. In November 2020, 50,000 more common shares were issued to the Vendor, valued at $3,000.

On November 25, 2020, the Company announced that it signed, effective November 17, 2020, a Memorandum of Understanding ("MOU") with the Matachewan First Nation ("MFN") related to its exploration activities on the Sir Harry Oakes Gold Project, near Matachewan, Ontario. MFN is a signatory to Treaty No. 9 and holds inherent aboriginal and treaty rights to and over their traditional territory, which includes the Mining Leases and claims held by Sparton and referred to as the Sir Harry Oakes Project. The MOU recognizes these rights and provides for a mutually beneficial and cooperative relationship between the parties. The MOU, among other things, contemplates the possibility of an Investment Benefit Agreement ("IBA") in the future if the project is successful in advancing the project to advanced exploration and development stages and completion of a positive feasibility study. Additionally, the Company will compensate MFN for its exploration activities in the MFN area by issuing to MFN 50,000 Sparton common shares with a deemed value of $0.06 each, and 50,000 Share Purchase Warrants ("SPW"s). The SPWs are valid for a period of three years from November 17, 2020, and entitle MFN to purchase up to 50,000 additional common shares of the Company at a price of $0.10 per share. As further compensation Sparton will pay MFN on an annual basis, 2% (percent) of its audited exploration costs directly related to the expenses on the Oakes Project. The MOU is valid and in effect until Sparton has either ceased its activities on the Project or an IBA agreement is concluded. The Company issued 50,000 shares and 50,000 warrants to MFN on December 1, 2020, valued $3,000 and $2,635 respectively.

### Bruell Property, Canada

On August 11, 2017 the Company entered into an option agreement with two independent prospectors (the "Vendors") to explore the 20 claim Bruell Property ("the Property") in Vauquelin Township, Quebec.

Under the terms of the 5-year option agreement Sparton will issue a total of 1,500,000 Common Shares, incur a total of $1,500,000 in exploration expenditures on the claims, and make cash payments totaling $300,000 to earn a 100% interest in the Property, as follows:

- On signing (Firm commitment): cash payment of $25,000, 100,000 shares issued, and exploration expenditures of $100,000 in first year. (Completed)
- End of Year 2018: Cash payment of $20,000, 150,000 shares issued, and exploration expenditures of $100,000. (Completed)

**5. EXPLORATION AND EVALUATION PROJECTS (Continued)**

- End of Year 2019: Cash payment of $30,000, 200,000 shares issued, and exploration expenditures of $300,000. (Completed)
- End of Year 2020: Cash payment of $50,000, 350,000 shares issued and exploration expenditures of $400,000. (completed)
- End of Year 2021: Cash payment of $75,000, 500,000 shares issued and exploration expenditures of $600,000. (Completed)
- End of Year 2022: (Optional): Cash payment of $100,000 (paid), 200,000 shares issued (completed) and exploration expenditures of $600,000.
- Production Royalty: If commercial production takes place on the Bruell property, the Vendors collectively, will be entitled to receive an annual production royalty (the “Royalty”) equal to 2% of Net Smelter Returns as customarily defined. At any time after a feasibility study is completed for development of any part of the Property ½ of this Royalty (or 1%) may be purchased by the Company for the sum of $1,000,000. All cash payments share issuances, and royalty payments if any, will be paid or issued as to 50% of the totals to each prospector.
- On October 21, 2019, the Company announced 15 additional mining claims have been acquired from a private prospector extending the original 36 Bruell mining claims. As of December 31, 2019, the Company had paid $75,000 to the Vendors. The Company also had issued 250,000 common shares to the Vendors valued at $13,000. As of September 30, 2020, $547,733 exploring expenses have been incurred by the Company before it was optioned to Eldorado Gold Corporation.
- On December 16, 2019, Sparton announced that it had executed definitive agreements including an Option Agreement with Eldorado Gold Corporation (“Eldorado”) to grant an option to Eldorado to earn up to an initial 75% interest (“Option”) in the Bruell Project. Under the Option Agreement Eldorado will make all future cash payments and fund all the future expenditures required under the existing Property Option Agreement between the Company and the original optionors. Sparton received a cash payment of $150,000 as partial compensation for past expenditures that was recorded as recovery of exploration expenses in the consolidated statements of (loss). If Eldorado makes all future cash payments and funds all the future expenditures required then it has the right to have Sparton participate in a new joint-venture in which Sparton will hold a 25%, or buy-out Sparton’s 25% interest for $1.8 million adjusted for the Consumer Price Index at the time Eldorado makes the election, in which case Sparton will be granted a 2% Net Smelter Return Production Royalty (“NSR”), and 50% of the NSR can be purchased by Eldorado for $2.5 million at any time.
- In August 2020, $50,000 was paid by Eldorado through Sparton to the Vendors, and 350,000 Sparton shares were issued to the Vendors at a value of $21,000.

In August 2021, $75,000 was paid by Eldorado through Sparton to the Vendors, and 500,000 Sparton shares were issued to the Vendors at a value of $55,000. In August 2022, $100,000 was paid by Eldorado through Sparton to the Vendors and 200,000 Sparton shares were issued to the Vendors at a value of $15,000.

**Mineral Claims, Canada**

In late 2015 and early 2016 the Company, jointly with an independent consultant (as to 50% ownership each) staked a number of mineral claims (29) totalling 1388 hectares in the Wemindji diamond exploration area of Northern Quebec. Due to intense competition in the online staking of a number of these claims a random draw was held by the Quebec Ministry of Natural Resources to establish which competitor in the staking would be awarded the claims. The Company and consultant were awarded all of the disputed claims. On May 9, 2016 the Company executed an agreement with Honey Badger Exploration Inc. where under it sold its 50% interest in these claims for a total consideration of $5,000 cash and 1,000,000 common shares of Honey Badger (with a market value of $30,000 when received), resulted into a gain on disposal of assets of $35,000. The Company and the Consultant will each retain a 1% Net Smelter Return Royalty on any mineral production from these claims. These royalties can be purchased at any time for a total of $1,000,000 each.

## 6. LOANS PAYABLE

1) As at June 30, 2022 there was a short-term loan of $52,000 (December 31, 2021 - $52,000) bearing an annual interest of 6% payable on a quarterly basis in arrears, unsecured, and due on demand. As at June 30, 2022 there was $140,540 (December 31, 2021 - $139,001) interest payable accrued for this loan.

2) In April 2020, the Company's subsidiary EDCOR obtained a $40,000 in revolving credit from the Government of Canada under the Canada Emergency Business Account (CEBA) Covid-19 Economic Response Plan. The funding is granted in the form of an interest free revolving credit line of which up to $40,000 may be drawn. On January 1, 2021, any balance remaining on the revolving credit line automatically converted into a non-revolving term loan. Effective January 1, 2023, any outstanding balance on the term loan shall bear interest at a rate of 5% per annum. The term loan matures on December 31, 2025. If 75% of the outstanding balance of the term loan is repaid on or before December 31, 2022, the remaining 25% of the balance shall be forgiven. The Company used the assumption of 20% discount rate to determine the fair value of the interest-free period, and assumes the Company will repay the 75% outstanding balance on December 31, 2022. The difference between the amount received in cash and the related fair value was considered a government grant and was recognized as an income in the statement of income. The Company drew the full $40,000 and intends to repay $30,000 on or before December 31, 2022. $18,183 was recognized as debt and $21,817 was recognized as government grant income for the year 2020. $3,756 interest was accrued for the year ended December 31, 2021.

   In 2021, the Government of Canada reassessed EDCOR's application of the loan, as a result, EDCOR is required to repay $30,000 of the loan, of which $10,000 was paid in 2021, and $20,000 was repaid in the period ended June 30, 2022 that was presented as $20,000 short term loan payable as of December 31, 2021. A loss of government grant is recorded as $5,410 for the year 2021.

3) In June 2020, the Company's obtained a $40,000 in revolving credit from the Government of Canada under the Canada Emergency Business Account (CEBA) Covid-19 Economic Response Plan. The funding is granted in the form of an interest free revolving credit line of which up to $40,000 may be drawn. On January 1, 2021, any balance remaining on the revolving credit line automatically converted into a non-revolving term loan. Effective January 1, 2023, any outstanding balance on the term loan shall bear interest at a rate of 5% per annum. The term loan matures on December 31, 2025. If 75% of the outstanding balance of the term loan is repaid on or before December 31, 2022, the remaining 25% of the balance shall be forgiven. The Company used the assumption of 20% discount rate to determine the fair value of the interest-free period, and assumes the Company will repay the 75% outstanding balance on December 31, 2022. The difference between the amount received in cash and the related fair value was considered a government grant and was recognized as an income in the statement of income. The Company drew the full $40,000 and intends to repay $30,000 on or before December 31, 2022. $18,740 was recognized as debt and $21,260 was recognized as government grant income. $6,441 interest was accrued for the year ended December 31, 2021, and $nil for the period ended June 30, 2022.

   In 2021, the Government of Canada reassessed the Company's application of the loan, as a result, the Company is required to repay $30,000 of the loan, due on demand, that is presented as $30,000 short term loan payable as of December 31, 2021. A loss of government grant is recorded as $19,165 for the year 2021 and $nil for the period ended June 30, 2022.

**(Unless otherwise stated, all amounts are in Canadian dollars)**

## 7. CAPITAL STOCK

### (a) Common Shares

Authorized: Unlimited common shares

Issued: 146,941,537 common shares

| Date | Description | No. of shares | Amount |
|---|---|---|---|
| December 31, 2020 | | 139,455,923 | $18,672,054 |
| | Exercise of warrants (1) | 4,985,614 | 654,291 |
| | Exercise of options (2) | 2,000,000 | 211,376 |
| | Shares issued for property (3) | 500,000 | 55,000 |
| December 31, 2021 and June 30, 2022 | | 146,941,537 | $19,592,721 |

1) During the period in 2021, 4,985,614 warrants were exercised at $0.10 per shares for 4,985,614 common shares of the Company. $498,561 plus $155,730 grant date value of the warrants were recorded as common shares.

2) On June 24, 2021, 2,000,000 options were exercised at $0.05 per shares for 2,000,000 common shares of the Company. $100,000 plus $111,376 grant date value of the options in total of $211,736 were recorded as common shares.

3) On August 5, 2021, 500,000 common shares were issued to the Bruell vendor as described in Note 6, at a valuation of $55,000.

### (b) Share-based payment reserve

The Company, under its shareholder approved stock-option plan, has granted options for the purchase of common shares to employees, directors, officers and other service providers. The aggregate number of common shares reserved for issuance under this plan is limited to 10% of the aggregate number of common shares outstanding. The plan provides that the exercise price of an option granted under the plan shall not be less than the market price at the time of granting the option. Options have a maximum term of 5 years, vest immediately upon issue, unless otherwise stated, and terminate on the 90th day after the optionee ceases to be any of an employee, director or consultant of the Company.

On April 10, 2017, the Company granted 2,775,000 options to directors and officers and consultants of the Company. Each option entitles the holder to purchase one common share at an exercise price of $0.10 per share. On April 10, 2020, these options expired unexercised.

On August 3, 2020, the Company granted 2,700,000 stock options to its directors, consultants and advisors; each option entitles the holder to acquire one common share of the Company at an exercise price of $0.05 before August 3, 2023. The options were valued at grant at August 3, 2020 for $150,358 using a Black-Scholes model. Assumptions used to determine the value of the options using the Black-Scholes model were: stock price $0.06; dividend yield 0%; risk-free interest rate 1.89%; expected annual volatility 201%; and expected life of 3 years. The options vested on grant and $150,358 stock-based compensation expenses were recognized on the statement of income for the year 2020. 2,000,000 of these options were exercised in the year 2021.

**(Unless otherwise stated, all amounts are in Canadian dollars)**

## 7. CAPITAL STOCK (continued)

On August 24, 2021, the Company granted 2,700,000 stock options to its directors, consultants and advisors; each option entitles the holder to acquire one common share of the Company at an exercise price of $0.10 before August 24, 2024. 30% of the option vested immediately on the grant date. 30% will vest on August 24, 2022 and 40% are vesting on August 24, 2023. The options were valued at grant at August 24, 2021 for $248,240 using a Black-Scholes model. Assumptions used to determine the value of the options using the Black-Scholes model were: stock price $0.06; dividend yield 0%; risk-free interest rate 0.3%; expected annual volatility 201%; and expected life of 3 years. $87,054 stock-based compensation expenses were recognized on the statement of income for the year 2021. On June 30, 2022 there were 3,400,000 (December 31, 2021 – 3,400,000) options outstanding of which 1,510,000 (December 31, 2021 – 1,510,000) were exercisable.

### (c) Warrants

Pursuant to a private placement in the year ended December 31, 2020, 2,385,417 warrants were issued with the flow-through units, 2,310,000 warrants were issued with the non-flow-through units, and 382,200 warrants were issued to finder. Each warrant entitled the holder to purchase one common share of the Company at an exercise price of $0.10 until August 5, 2021. During the year 2021, 4,985,614 warrants were exercised and 92,003 warrants expired.

Pursuant to the MOU, as disclosed in Note 5, 50,000 warrants were issued. Each warrant entitles the holder to purchase one common share of the Company at an exercise price of $0.10 until December 1, 2023.These 50,000 warrants remain outstanding as at June 30, 2022 (December 31, 2021 – 50,000).

## 8. RELATED PARTY TRANSACTIONS

The Company’s related parties consist of the following:

| Related parties | Relationship |
|---|---|
| A. Lee Barker | CEO and President; minority shareholder of VanSpar |
| Wes Roberts | Director |
| Richard D. Williams | Director; minority shareholder of VanSpar |
| Oriental Sources Inc. | A company controlled by the Company's CFO |

| Due to related parties | June 30, 2022 $ | December 31, 2021 $ |
|---|---|---|
| Consulting fees payable to Oriental Sources Inc. (i) | 128,898 | 135,678 |
| Rent and fees payable to Lee Barker (i) | 95,953 | 85,792 |
| Total | 224,851 | 221,470 |

(i) During the period in 2022, $9,000 (2021 - $9,000) office space rent expenses were accrued for property owned by the President of the Company. The Company was also billed and paid $18,000 plus HST (2021 - $18,000) by Oriental Sources Inc., a company controlled by the CFO of the Company for consulting fees which were recorded as management and consulting fees on the consolidated statement of loss.

(ii) During the year 2021, three directors and one officer of the company were granted a total number of 1,900,000 options, as described in Note 7(b), that were valued at $61,260.

**(Unless otherwise stated, all amounts are in Canadian dollars)**

## 8. RELATED PARTY TRANSACTIONS (continued)

The compensation expense associated with key management and directors for employment services or similar during the six months in 2022 and 2021 are as the follows:

| | 2022 | 2021 |
|---|---|---|
| Salaries, consultant fees and other benefits | $ 18,000 | $ 18,000 |
| | $ 18,000 | $ 18,000 |

## 9. COMMITMENTS AND CONTINGENCIES

(a) The Company's exploration activities are subject to various federal, provincial and international laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

(b) See Note 5 the Company's commitment on the acquisition and exploration of the Bruell Gold property, and on the Former Sir Harry Oakes Gold Property.

(c) See Note 11 the Company's commitment on the profit sharing with the private investor upon the sale of the Additional Shares in JDH.

## 10. CAPITAL MANAGEMENT

The Company considers its capital structure to consist of common shares and share-based payment reserve. The Company manages its capital based on the acquisition and investment opportunities in the course of its business to support the on-going operations of the business. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company's primary sources of capital were funds generated from issuance of common shares, debentures and debts, and the exercise of stock options and warrants, and revenues provided by the drilling business.

There were no changes in the Company's approach to capital management during the periods presented. The Company and its subsidiaries are not subject to externally imposed capital requirements.

Management reviews its capital management approach on an ongoing basis and believes that this approach is reasonable given the relative size of the Company.

## 11. THE VANSPAR VRB ENERGY TRANSACTION

On August 8, 2016, the Company's 89.8% then owned subsidiary, VanSpar Mining Inc.("**VanSpar**"), signed a Share Purchase Agreement (the "**SPA"**) dated as of May 18, 2016 and effective as of August 8, 2016, to acquire all of the shares of JD Holding Inc. ("**JDH**"), a Cayman Islands corporation, for US$ 3.3 million. JDH is the parent company for a group of then inactive companies engaged in the manufacturing of Vanadium Redox Battery systems. JDH was subsequently renamed VRB Energy Solutions Inc. ("VRB")

VanSpar later signed and executed a Share Acquisition Agreement with HPX Tech Co. ("HPX"). Under the terms of a Share Acquisition Agreement (the "SAA") between HPX and VanSpar, HPX would directly fund the acquisition of the shares of VRB Energy for US$ 3.3 million (the "Funding Transaction"), pursuant to the SPA between VanSpar and VRB Energy and its security holders.

The VRB Energy Transaction and the Funding Transaction were closed before the end of 2016. VanSpar received, among other considerations, 9,000,000 or 18% of VRB Energy common shares that was recorded as investment available for sale with a fair value of $1,457,000 as of December 31, 2017. The fair value decreased by $31,186 from $1,520,596 at December 31, 2019 to $1,489,410 at December 31, 2020, and by $4,446 to $1,493,856 at December 31, 2021 that was recorded in other comprehensive income in 2020.

In July 2017 VanSpar received a Financing Notice and Subscription Agreement from VRB Energy where under VRB Energy would raise US $5 million through the sale of 38,759,690 shares at a deemed value of USD$0.129 per share, this has been completed.

VanSpar executed, in 2017, a profit-sharing agreement with a private investor to permit VanSpar to acquire the 6,976,744 Additional Shares in JDH (now VRB). Before the agreement VanSpar owned 9,000,000 common shares of VRB Energy, or 18%. Under the profit-sharing agreement, the private investor will provide funds required for VanSpar to participate and acquire more shares ("Additional Shares") in VRB Energy's future financing, to maintain VanSpar's 18% in VRB Energy. The funds can be used only for this purpose. Once the Additional Shares are sold in a liquidation event, the investor will be entitled to 80% of the profit (calculated as proceeds of sales minus transaction costs minus the principal fund provided by the private investor plus 7% annual interest) and VanSpar will be entitled to 20% of the profit. In case there is no profit or even a loss, VanSpar will not be responsible for repayment of the principal funds provided by the investor. If there is future dividend issued by VRB Energy, the private investor is entitled to all the future dividend. As at December 31, 2017 VanSpar had received five payments for a total of US$900,000 from the private investor to participate in five tranches of acquisition of VRB Energy shares. The Company has determined this profit-sharing agreement is a joint operation. There is no downside risk to the Company as VanSpar does not have obligation to repay the full principal fund, therefore the Company has not recorded the funding provided by the private investor as a financial liability and has not recorded the Additional Shares as a financial asset.

On November 30, 2017, VRB Energy had a 2 for 1 split of the ordinary shares. The original 9,000,000 common shares owned by VanSpar were sub-divided into 18,000,000 common shares. And the new shares acquired under the profit-sharing agreement were subdivided into 13,953,488 shares.

On July 12, 2019 VanSpar received a new financing and debt conversion notice from VRB whereunder in order to maintain its 18% share interest in VRB, it was required to subscribe to the purchase of an additional 31,331,863 VRB shares at a price of USD$0.065 per VRB Energy share for a total cost of USD$2.036 million to VanSpar.

VanSpar did not participate in the financing and now retains its original 31,953,488 VRB Energy shares, representing a 9.8 percent share interest in VRB Energy Solutions Inc.

## 12. EVENT SUBSEQUENT TO THE REPORTING PERIOD

In August 2022, $100,000 was paid by Eldorado through Sparton to the Vendors of Bruell property and 200,000 Sparton shares were issued to the Vendors at a value of $15,000. Sparton will exercise the option to acquire 100% of the Bruell Property.