

SPARTON RESOURCES INC.

For the Year ended December 31, 2009

Management's Discussion and Analysis dated April 30, 2010

The following discussion and analysis of results of operations and liquidity and capital resources of Sparton Resources Inc ("Sparton" or the "Company") for the year end December 31, 2009 should be read in conjunction with the audited consolidated financial statements and related notes for 2009 and the comparative figures for 2008, which have been prepared in accordance with Canadian generally accepted accounting principles. All currency is shown in Canadian dollars unless otherwise stated.

Forward-Looking Information

This MD&A contains certain forward-looking statements and information relating to the Company that are based on the beliefs of its management as well as assumptions made by and information currently available to the Company. When used in this document, the words "anticipate", "believe", "estimate", "expect" and similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements. Forward-looking statements include, among other things, regulatory compliance, the sufficiency of current working capital, the estimated cost and availability of funding for the continued exploration and development of the Company's exploration properties. Such statements reflect the current views of its management with respect to future events and are subject to a variety of inherent risks, uncertainties and other facts which are beyond the Company's control, and could cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. The Company undertakes no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or any other reasons, except as required by applicable Canadian securities law. Investors and others should carefully consider these and other factors and not place undue reliance on these forward looking statements.

General

During 2009, the Company's primary emphasis was directed towards developing the secondary uranium recovery programs in China and completing the acquisition of the profitable Huajun germanium-coal operation. The evaluation of the new Guojiaping vanadium opportunity which began in Q4 2009 continued with positive results into Q1 2010. Sparton's management devoted considerable effort to financing and executing these programs.

On October 3, 2008, the Company negotiated on behalf of its subsidiary, Sparton Energy Inc. ("SEI"), a US \$2 million bridge loan (the "Loan") provided by a Quam Limited ("Quam") subsidiary company, Quam Ventures BVI Ltd. The proceeds of the Loan were to be used for SEI's previously announced acquisition of an initial 60% share interest in Linxing 306 Huajun Coal Co. Ltd. Lincang City ("Huajun "). Huajun owns the Huajun coal and germanium producing operations in Yunnan.

Finalizing the acquisition of 60% Huajun share interest would have resulted in SEI taking over control of the operations and the cash flow at Huajun, which was estimated to be approximately US\$ 125,000 per month based on concentrate sales up to mid 2008. Quam Securities Company Limited indicated to SEI that it would work to raise a minimum of US\$10 million in Convertible Debentures of SEI on a "best efforts", basis and that it intended to subscribe for US\$ 2 million of the Convertible Debentures on closing of a minimum of US\$5 million in total Convertible Debenture sales. The proceeds from the sale of the Convertible Debentures would be used for purchase of an additional 25% share interest in Huajun and for technical upgrades to those operations.

Quam was however completely unsuccessful in raising the additional financing and the legal and due diligence costs of \$601,632 associated with the Quam loan were written off as of December 31, 2009.

Due to changes in currency exchange rates between the Chinese RMB and the US Dollar, and much higher than anticipated legal and due diligence costs associated with the Quam Bridge Loan, the 60% share acquisition payment in Huajun was not completed by year end 2008. At year end 2008, a 9% share interest in Huajun had been acquired and this was increased to 17% in early 2009.

Sparton independently put forth several financing initiatives in an effort to raise the required funds. In mid 2009 the Company successfully negotiated a CAD \$1.7 million loan from a private individual and completed the 51% Huajun acquisition, as discussed below. Sparton's China wholly owned subsidiary Yunnan Blue Bay Mining assumed control of the Huajun operations on September 9, 2009. (See Note 4 of the Consolidated Financial Statements)

Coal / Germanium Acquisitions

Over-all 2009 financing efforts now partially successful, furthered the Company's goal of becoming a profitable operating company through its subsidiaries, and are now providing immediate cash flow to the Company through SEI. The acquisition of a 51% interest in Huajun closed in late Q3, 2009 and the Company's operating subsidiary in Yunnan assumed operational and financial control of Huajun. During the operating period from September 4, 2009 to December 31, 2009, the Company estimated the net income from operations of 306 Mine to be approximately \$56,000. The short term objectives are to complete the full 85% Huajun interest acquisition and upgrade the Huajun operations and enhance their profitability by increasing output and upgrading the current production of germanium concentrate to pure germanium metal. To accomplish this additional financing will be necessary.

Secondary Uranium Recovery Program

The Company progressed in developing its uranium cleanup program in the Lincang Area. Its partner, the CNNC Remote Sensing subsidiary "ARCN" directly invested its 30% interest share in the Chinese joint venture company Yunnan Sparton New Environ Tech Consulting Co. Ltd. ("SNET") in which Sparton owns a 60% interest, SNET will operate the secondary uranium recovery programs in Yunnan. The Company also carried the 10% share costs of its other PRC partner in SNET, Beijing John Hangseng Investment Company (JHIC).

In November 2008, a Letter of Intent ("LOI") was signed with the Fourth Institute of Nuclear Engineering ("FINE") for the final engineering design and construction of a bulk sampling plant (estimated to cost approximately US\$ 750,000 to complete). This will finalize a production flow sheet and feasibility study for commercial processing of uranium bearing waste coal ash in the Lincang area. FINE is a CNNC subsidiary and is responsible for the design, permitting and approvals of all uranium production facilities in China. In order to save costs, improve efficiency and speed up the test work, the Company set up its own laboratory in Lincang to do initial testing and analysis for germanium, uranium, and several other related elements. Quality control procedures and duplicate sample analysis are checked by the SGS laboratory in Tianjin, PRC. Recent developments include a new budget and technical proposal generated by Sparton's engineering department in Yunnan, to conduct the uranium recovery bulk test internally using FINE and the Company's process engineering consultants Lyntek Inc. to supervise and oversee the work. This will result in a decrease in cost and hopefully reduce time to completion.

Test work on leaching uranium from the Lincang area ash deposits continued to produce encouraging results during the year ended December 31, 2009. By year end 2009 several other large radioactive waste coal ash deposits were under evaluation in China. Evaluation on these and other sites will continue. During Q2 and continuing in Q3 and Q4 2009, SNET also began the evaluation of a number of PRC uranium mine tailings deposits and low grade waste ore stockpiles. A number of these show excellent promise for exploitation and this program is continuing aggressively. In early November, 2009 SNET also entered into an agreement with the Jiangxi 267 Nuclear Exploration Team to evaluate a large vanadium deposit with associated uranium mineralization.

Guojiaping Vanadium Project

Sparton announced on November 23, 2009 that its 70% controlled PRC subsidiary Yunnan Sparton New Environ-Tech Co. Ltd. (SNET), had signed a Preliminary Agreement for the evaluation of a significant vanadium – uranium deposit in southern China. SNET is the Sino-foreign joint venture company which is 30% owned by a subsidiary of the China National Nuclear Corporation.

The Agreement, made with Team 267 of the Exploration Bureau of the Jiangxi Nuclear Industry (“267”) was for the evaluation of the Guojiaping Exploration Licence in Xiushui County, Jiangxi province, China. This licence contains a large shale hosted vanadium deposit with associated uranium mineralization which has been extensively explored by 267 since May, 2007.

The exploration license covers an area of 9.02 sq. km. and past exploration work includes in total, 7,760 meters of core drilling (in 131 holes), 3,528 cubic metres of trenching, several shallow shafts, and related geological mapping, sampling, and analyses.

Based on the results of 42 drill holes covering a 5.5 km sq. area within the Guojiaping Licence the deposit is reported by 267 to contain approximately 100,000 tonnes (220,000,000 pounds) of vanadium pentoxide (V₂O₅) classified as “Chinese 333, inferred, intrinsically-economic resources” at a grade averaging 0.91% V₂O₅. The mineralized horizon is 3-10 metres thick and shallow dipping. It outcrops at surface and has been explored by a combination of trenching and core drilling.

The associated uranium deposit identified in the same drilling program and analytical database is estimated by 267 to contain 1000 tonnes of uranium metal (2,200,000 pounds) at a grade averaging 0.172% U and is also classified as a “Chinese 333 inferred, intrinsically economic resource”.

By the end of Q1, 2010 the Company had completed a comprehensive due diligence study of all data related to the vanadium deposit including preliminary metallurgical vanadium oxide recovery tests. This work confirmed the 267 data and the metallurgical tests conducted at the Company laboratory in /China produced positive results. Additional independent recovery tests were commissioned at Lyntek Inc.’s facility in Denver Colorado. A full National Instrument 43-101 compliant Independent Technical Report will be completed in May of 2010. An acquisition decision for this Project will be made based on the results of this report and subject to availability of appropriate financing.

Luxi Gold Project China

Following the 2007 agreement with Starry Limited., (the BVI subsidiary of Hong Kong Stock Exchange listed Zhao Jin Gold Mining Industry), whereby Sparton sold to Starry a 41% interest in Yunnan Sparton Minerals Company Ltd., (“YSM”) the owner of the Luxi Gold Project. (See Note 7(i) to the audited Consolidated Financial Statements for the year ended December 31, 2008). Starry assumed operatorship of the Luxi Project using Zhao Jin staff, effective October 2007. The Company had, through 2008 and 2009 highlighted many management and technical problems with the Starry operations of YSM and the physical work program at Luxi was minimal during the 2009 work year. As well, the final payment for the sale of the 41% interest which was expected in 2009 was not received. Sparton carried on negotiations with Starry settle this issue through most of 2009 without success. The objective was to either increase its YSM share interest and regain operator control of the JV company, or attract a replacement partner for Starry in YSM. In early 2010 Sparton was advised by Zhao Jin that Starry had been sold to Yunnan Fudi Mining Limited.

On March 17, 2010, the Company signed a sale agreement to divest its 39% interest in YSM, (Note 8(i)). The total sale price is 14 million RMB or \$2,146,200, payable in cash in two tranches. (See Subsequent Event Section of this MD&A).

Uranium Recovery Test Programs

In Q1 2008, Sparton's China registered subsidiary Beijing Sparton Mineral Investment and Consulting Limited ("BJS") was granted a patent by the China Patent Bureau for "the extraction of uranium from radioactive coal ash." The Company also secured exclusive rights for its China based group to process all coal ash produced by, or in storage at the Guodian Xiaolongtan thermal power plant in central Yunnan Province PRC. Advanced testing and sampling at Xiaolongtan has determined that the acid consuming components of the ash can only be partially removed and it is not likely to have positive economics for a potential long term uranium extraction program from this area at current uranium prices. Progress had been made with flotation tests on the Xiaolongtan ash and uranium grades have been increased from 45-160% in flotation products from the preliminary work. Advanced testing of the Lincang area waste ash material has now achieved over 80% uranium recoveries and these methodologies will be applied to the planned bulk test program.

North America Precious Metals

In Q1 2009, the Company elected to pay the 2009 Advance Royalty Payment regarding the original assignment agreement for the lease of the SBD claims in the Battle Mountain area of Nevada. The payment of US\$75,000 to the vendors was made by issuing 1,799,009 common shares of the Company equal in value to the Advance Royalty Payment. SBD drilling results confirmed the existence of an under explored zone of gold mineralization similar in nature to that hosted in the nearby Trenton Canyon Mine. Subject to available financing or farm in, a comprehensive drilling program is planned for 2010 to expand this zone and develop a potentially commercial inventory of gold mineralization on the claims.

Mexico Precious Metals

In Mexico, only minor work was carried out in 2009 at the Sierra Rosario joint venture in Sinaloa State where Sparton had earned a 51% interest in the 500 hectare Rossy claim from partner International Northair Mines Ltd. Following a data compilation of all previous work, late in 2008 a prospecting team had located two new zones of significant gold-silver mineralization in the eastern part of the property. New road access was completed to these zones for a future drill program. This road also provides access to the San Rafael zone which has not yet been drilled. The new mineralization will be tested in a drilling program planned for 2010 if funds are available or a partner can be found for the project. Sparton's 51% interest is fully vested and costs are now being shared pro rata with International Northair. No significant expenditures were incurred in Q3, or Q4 2009 on the project.

Canada Minerals

Whiskey Project, New Brunswick

In Canada, at the uranium-copper exploration program at the Whiskey project in New Brunswick a 1,750 metre core drilling program was completed to test priority targets in early 2008. Subsequent to completion of the drilling the New Brunswick Government placed a ban on any exploration and development work for uranium in the Province and Sparton's uranium program was halted. In Q2, 2008 a new copper - molybdenum zone was located on the property and, pending a review of Government policy, work on the property has been put in abeyance. Reanalysis of many of the exploration samples at Whiskey identified significant rare earth values and the rare earth opportunity was being investigated. Further work indicated that while significant, the rare earth content of the material tested is unlikely to have commercial implications.

In view of the continued ban on uranium exploration and development in New Brunswick the Company elected to write off its entire investment in this project.

Atikokan Project, Ontario

In Q3 2009 the Company entered into an option agreement to acquire a 100% interest in approximately 6,800 hectares of mineral claims in several claim groups surrounding the Brett Resources' reported 6.8 million ounce Hammond Reef gold deposit in northern Ontario near the town of Atikokan. The initial prospecting program on these claims has produced encouraging results and work will continue. A small drilling program was undertaken before the year end, and continued into 2010. Results were encouraging, with a new gold discovery made on the western claim group (West Hammond Contact Property "WHC"). Wide zones of altered and mineralized material were located along the contact zone between the Marmion granitic batholith and the Finlayson Volcanic Belt.

During the initial prospecting and sampling program new mineralization was discovered on the WHC claims along strike from the previously reported Stubby Zone. This included the new South Silicified Zone ("SSZ") located southwest of Stubby.

Of 689 prospecting (grab) samples taken at WHC, 109 samples returned significantly anomalous values above 100 ppb Au. Values obtained over 1 g/t are 17.65 g/t Au, 13.55, 12.4, 4.04, 4, 3.19, 2.76 and 2.61 g/t Au. Most of the higher values are from the grid area which is 3100 meters long by 800 meters wide centered on the Stubby showing. Anomalous gold values generally occur in quartz-ankerite veins and vein stockworks with pyrite, rarely accompanied by chalcopyrite and/or galena. Highly altered mafic volcanics with abundant pyrite and altered pyritic granite have also returned anomalous gold values up to 12.4 g/t Au. Some of the assays and soil results are still pending but visually the mineralized trend is more or less continuous along the grid baseline and has been traced over a distance of 2.8 kilometers. Anomalous gold values in soils analysed to date from the grid are observed for a strike length of about 2.2 kilometers. The data display several anomalous trends within the grid and a significant number of anomalous values occur beyond the north-western limit of the grid where sample values reach up to 1.71 and 1.92 g/t.

Drilling completed on the WHC area project in late 2009 and early 2010 located a strongly altered and mineralized zone associated with the SSZ structure and twelve holes totalling approximately 2750 metres were completed in the initial five week drilling program. A further 4 holes were completed totalling approximately 1250 metres in early March 2010.

All holes were drilled at an angle of -50 degrees to the southeast and the average hole length was 215 metres. The holes have partially tested a series of en echelon Induced Polarization (IP) anomalies located along a portion of the 3.10 km long WHC grid which follows a strong, wide (over 300m) alteration and shear zone along the contact between the Finlayson Volcanic Belt and the Marmion Granitic Batholith. Highlights of the first part of the drill program include intersections of 0.4 gms/tonne gold over 39.4 metres (including 14.8 metres 0.80 gms/tonne gold) in hole WHC 2010-12 on the SSZ. Individual assays from holes drilled in the SSZ included 0.80 g/t over 7.5 metres, 3.49 g/t over 1.3 metres, 4.4 g/t over 1.0 metres and 8.5 g/t over 0.8 metres, all within an alteration envelope of lower grade gold content ranging from 0.01 to 0.05 g/t.

The early March 2010 program consisted of 4 holes of which 2 were drilled on the SSZ, and two tested new targets to the north including a large IP anomaly approximately 2 kilometers north of the main SSZ drilled area. Hole WHC 2010-14 drilled 75 metres south of WHC 2010-12 on the SSZ returned 0.4 gms gold/tonne over 14 metres. Drilling on the new targets did not return any significant gold values.

The mineralization found in the SSZ and other gold showings located in Sparton's WHC Property and new gold occurrences located on the Clement Lake claims clearly represent a series of new gold discoveries in Ontario. The Deeper drilling at the SSZ has returned higher gold values and mineralized widths similar to the mineralization in the Brett Deposit. Deeper drilling is required.

The intense alteration and structural deformation associated with contact between the Finlayson Volcanic belt and the Marmion granite batholith represents a major exploration opportunity and Sparton controls over 20 km of this contact zone and mineralization is very similar to the nearby Brett Resources +7 million

ounce gold deposit currently under advanced development. Additional surface field work and drilling will take place in 2010 to follow up these new discoveries on Sparton's holdings in the area.

NuCoal Project Saskatchewan

On August 26, 2009 Sparton and NuCoal Energy Corporation ("NuCoal") a private Saskatchewan based energy company, announced that they had executed a Memorandum of Understanding ("MOU") wherein Sparton and NuCoal will jointly (on a 50%:50% cost sharing basis) evaluate the potential of NuCoal's lignitic coal holdings in Saskatchewan to host commercial germanium and uranium mineralization. In addition the program would also test the feasibility of recovering valuable metals from residue material produced by the coal to liquids ("CTL") program being developed by NuCoal in this area. Part of NuCoal's lignitic coal leases cover the northern extension of the Ravenscrag coal basin where (in North Dakota) significant amounts of uranium were produced from four operations burning high uranium coal and extracting it from resulting radioactive coal ash in the late 1960's and early 1970's. Numerous occurrences of uranium bearing coal were documented in this NuCoal area but no new uranium exploration in these settings had been reported since the early 1980's.

Historical reports and maps indicated over fifty documented uranium occurrences in six areas within southern Saskatchewan with analyses equal or greater 0.03% U₃O₈. These showings occur both in lignitic coals held by NuCoal as well as sedimentary host rocks of Ravenscrag Formation. The highest recorded value was 0.41% U₃O₈. In addition to U₃O₈, the review indicated a presence of germanium and gallium occurrences.

A late 2009 field program sampling designed to check the old showings was cut short by weather but produced positive results. Seven of the sampled coal occurrences returned uranium values of between 45 and 258 ppm Uranium (or 53 and 304 ppm U₃O₈). If these are converted into the anticipated U₃O₈ content of coal ash from burning these coals at an average ash content of 20%, the expected U₃O₈ content of the resulting ashes would vary from 0.026% to 0.121% which are grades similar to many commercially exploited bulk mineable or in situ leached uranium deposits.

A comprehensive field program is planned for 2010.

Chebucto Gas

Sparton holds an estimated 6.5% unitized working interest in the Chebucto natural gas field in the Sable Island area of offshore Nova Scotia. In late 2008, new government leasing activity in the immediate Chebucto area and the Sable Island region has shown a renewed interest by both the government and industry in new exploration in the area.

In Q3 2009 the Company received a notice letter from ExxonMobil Canada Ltd. indicating thatExxonMobil was considering the development of a number of Significant Discovery Licenses (SDLs) in the Sable Offshore Energy Project ("SOEP") area. These included SDL 2286, part of theChebucto field, in which the Company owns a 12.5 % working interest. Chebucto is located near the existing North Triumph production facilities. The SOEP supplies natural gas into the northeast seaboard areas of the United States and Canada. Sparton has owned the Chebucto interest since 1997.

ExxonMobil began a program in late 2009 to do geological and engineering studies to confirm the resource size and production expectations, design the required facilities, and estimate the capital costs for all of the fields under consideration. As well, certain commercial and regulatory matters needed to be resolved. (See Subsequent Event section of this MD&A).

Capitalization, Amortization and Write-offs

All costs relating to the Company's exploration activities, other than grass-roots exploration, which are expensed as incurred, are capitalized until such time as a decision is made to proceed with the development phase of each project, in which event the costs will be depleted on the unit of production basis as the estimated total resources are mined. Management of the Company regularly reviews the carrying value of each mineral property and, if conditions suggest impairment, management may write down or write off that project. As a result of write downs or write offs from exploration activities and possible gains on sales of interests in exploration properties, the net income or loss of the Company may be volatile.

In the year end 2009 the Company wrote off the value of its Whiskey, Coal Canyon, 208, and Luxi Projects of 2,543,151 (see Note 8 to the December 31, 2009 Consolidated Financial Statements). The financing costs associated with the Quam Loan of \$601,632 was also written off in the year ended December 31, 2009 (see Note 9 to the December 31, 2009 Consolidated Financial Statements).

The consolidated financial statements include the accounts of the Company and its wholly and partly owned subsidiaries including: Energy Data Science, Sparton International Resources Inc, its 90% interest in Beijing Sparton Mineral Investment and Consulting Ltd., its 94.5% interest in Sparton Energy Inc. ("SEI"), its 60% interest in Yunnan Sparton New Environ-tech Consulting Co. Ltd. ("SNET") and Yunnan Blue Bay Mining Co. Ltd. ("YBB").

Due to the fact that a new comprehensive mining licence had not yet been granted at year end 2009, YBB's 51% interest in 306 Huajun Coal Co. Ltd. ("Huajun") (Note 4 to the December 31, 2009 Financial Statements) was not consolidated into the year end 2009 statements.

These consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. All material intercompany balances and transactions have been eliminated.

Financial Highlights, Expenditures

Investments in exploration properties and deferred exploration expenditures totalled \$1,226,524 2009 compared to \$1,391,085 in 2008. The decrease reflects an overall reduced activities on consolidated properties in light of current focus on establishing the controlling share interest in 306 Huajun Coal Co. Ltd. ("Huajun").

The 39% owned (through the China JV company Yunnan Sparton Minerals Company Ltd. ("YSM")) Luxi Project, accounted for on an equity basis, accounted for \$82,447 of expenditures and \$1,619,217 of write-off in 2009, compared to \$315,532 of expenditures in 2008. The Company had, through 2008 and 2009 highlighted many management and technical problems with the Starry operations of YSM and the physical work program at Luxi was minimal during the 2009 work year. The restructuring of Luxi Project and YSM hampered exploration activities in the past year. The majority shareholder in YSM and its administrator and operator, Starry Limited (which is a wholly owned subsidiary of Zhao Jin Mining Industry Limited) did not provide YSM shareholders with Q3 and Q4 2009 statements for YSM. Only the Q2 2009 YSM financial results were consolidated into the Company for the December 31, 2009 Consolidated Financial Statements. The Company assumes a 43% allocation of expenditures on the Luxi project (see note 8 of the December 31, 2009 Consolidated Financial Statements).

Expenditures of \$345,392 were incurred in 2009 on the ARCN secondary uranium recovery program (waste ash) in China in preparation of the planned bulk test program, compared to \$260,427 in 2008. The 208 Project, gold assets in Inner Mongolia has been discontinued as the Letter of Intent and Co-operation Agreements had expired. No further work is anticipated and the outstanding expenditures of \$49,976 were written-off at the year end 2009.

In 2009, expenditures of \$125,430 were registered on the SBD Nevada project compared to 2008 expenditures of \$143,259. In 2009, \$190,057 of expenditures on the Coal Canyon Project was written-off at 2009 year end, compared to \$41,098 expenditure in 2008. No work was done at the Whiskey uranium project in New Brunswick in 2009 due to the government ban, and a total of \$625,160 was written off, compared to \$345,172 of expenditure in 2008. Expenditures of \$617,559 were spent on the Company's new Northern Ontario Atikokan Project. Limited expenditures totalling \$9,146 were incurred at the Mexican Sierra Rosario Project in 2009 compared to \$219,304 in 2008 where the Company earned a 51% interest in the joint venture with Northair.

All the cost of the active projects is carried on the books under Deferred Exploration Expenditures (See note 8 to the December 31, 2009 consolidated financial statements). All the results of our exploration work were described in the 2009 Annual Report and throughout the year, by way of press releases. Comparisons of financial results are given for the previous corresponding reporting period. While it is extremely difficult to predict future events, management is hopeful that current projects and overall strategy should allow the Company to finance its continuing exploration and development activities.

Results of Operations

Year ended December 31, 2009 compared to Year ended December 31, 2008

For the year ended December 31, 2009, cash used for investing activities totalled \$2,857,929 as compared to \$1,578,600 in 2008, reflecting the Acquisition of Huajun, which account for substantial share of the \$1,713,960 of cash used for asset acquisitions, compared to \$309,600 in 2008.

Cash flow from operating activities showed a net use of cash totalling \$1,287,660 in 2009 versus \$705,157 in 2008. A net loss of \$3,795,907 was incurred in 2009 compared to net loss of \$1,267,296 in 2008. Interest expenses of \$359,239 on the bridge loan were incurred in 2009 and general administration expenses were increased to \$525,489 from \$291,004 in 2008. This increase was due to the fact that all of the administration and general expenses incurred by the Company's subsidiaries have now been consolidated into Sparton's accounts for reporting purposes.

A foreign exchange gain of \$188,350 was recorded in 2009 compared to a gain of \$57,113 in 2008. Investment loss on securities was insignificant at \$9,235 in 2009 compared to a loss of \$373,982 in 2008 relative to the substantial deterioration of the Santoy (Virginia Energy) share price at disposal dates. Net revenue of \$151,795 resulted from the operations of Company subsidiary EDS Drilling Services.

Proceeds from private placements totalled \$2,779,000 in 2009 compared to \$964,152 in 2008 while proceeds from long term debt amounted to \$1,700,000 in 2009 compared to \$2,160,400 in 2008 (See note 9 to the December 31, 2009 consolidated financial statements).

Quarterly Information

The following table sets out selected quarterly financial information of Sparton and is derived from unaudited quarterly financial statements prepared by management:

	Dec. 31 st 2009	Sep.30 th 2009	Jun. 30 th 2009	Mar. 31 st 2009	Dec. 31 st 2008	Sep.30 th 2008	Jun. 30 th 2008	Mar. 31 st 2008
Revenue (\$)	151,795	Nil	Nil	Nil	247,326	134,122	Nil	Nil
Total Net Loss (\$)	3,203,791	437,875	224,269	109,972	534,309	42,717	366,881	323,389
Basic and Diluted Loss Per Share (\$)	0.06	0.01	0.00	0.00	0.01	0.00	0.01	0.01

Liquidity and Financial Condition

As at December 31, 2009, Sparton had current assets of \$2,246,734 versus \$2,978,066 in 2008. Cash equivalents and short term investments totalled \$1,906,140. Current liabilities consisting of accounts payables and accrued totalled \$400,554 compared to \$2,734,826 in 2008 including \$2,436,000 Bridge loan (see note 9(a) of 2009 consolidated financial statement). Long term liabilities amounted to \$3,427,500 at December 31, 2009 compared to \$72,000 in 2008.

Outstanding Share Data

Sparton's authorized capital consists of an unlimited number of common shares without par value. As at December 31, 2009, there were 87,783,930 common shares issued and outstanding. The following options and share purchase warrants were also outstanding:

Options – 6,230,000 at a weighted average exercise price of \$0.23.

Share Purchase Warrants – 17,739,167 at a weighted average exercise price of \$0.17.

Related Party Transactions

During the year ended December 31, 2009, professional fees relating to the Company's exploration projects in the amount of \$72,000 (2008 – \$72,000) were paid to a director who is the President of the Company. Also, \$54,000 (2008 – \$54,000) in consulting fees was paid to another director. The related parties were also reimbursed for out-of pocket expenses relating to the business of the Company.

Management fees of \$ 19,420 (2008 – \$19,420) were paid to an officer of the Company.

See Note 13 to the Consolidated Financial Statements.

All transactions with related parties have occurred in the normal course of operations and are measured at the exchange amounts, which are the amounts of consideration established and agreed to by the related parties.

New Accounting Policies

Mining Exploration Costs

On March 27, 2009, the AcSB issued Accounting Abstract EIC-174, Mining Exploration Costs. In this, the Committee provided additional guidance for an enterprise that has initially capitalized exploration costs and has an obligation in the current and subsequent accounting periods to test such costs for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. The EIC should be applied to financial statements issued after March 27, 2009. The Company has adopted EIC-174 in these consolidated financial statements, with no material impact.

Goodwill and Intangible Assets

In November 2007, the CICA issued Handbook Section 3064, Goodwill and Intangible Assets, which replaces the existing Handbook Section 3062, Goodwill and Other Intangible Assets and Handbook Section 3450, Research and Development Costs. This standard is effective for annual financial statements relating to fiscal years beginning on or after October 1, 2008, with earlier application encouraged. The standard provides guidance on the recognition, measurement and disclosure requirements for goodwill and intangible assets. The adoption of this standard did not have a material effect on the Company's consolidated financial statements.

EIC 173 – Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

In January 2009, the CICA approved EIC 173 Credit Risk and the Fair Value of Financial Assets and Financial Liabilities. This guidance clarified that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities including derivative instruments. This guidance is applicable to fiscal periods ending on or after January 12, 2009. The Company has adopted these new standards in its consolidated financial statements for the year ended December 31, 2009. The adoption of these standards did not have a material impact on the Company's consolidated financial statements.

Fair Value Hierarchy and Liquidity Risk Disclosure

In June 2009, the Canadian Accounting Standards Board issued an amendment to CICA Section 3862, "Financial Instruments Disclosures" in an effort to make Section 3862 consistent with IFRS Section 7 - Disclosures ("IFRS 7"). The purpose was to establish a framework for measuring fair value under Canadian GAAP and expand disclosures about fair value measurements. To make the disclosures an entity shall classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy shall have the following levels: (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); (b) inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3). The adoption of this new standard resulted in additional disclosures in the notes to the consolidated financial statements.

Future Accounting Changes:

Consolidations and Non-controlling Interests

CICA Handbook Sections 1601 "Consolidations" and Section 1602 "Non-Controlling Interests" replace Section 1600 "Consolidated Financial Statements". Section 1602 provides the Canadian equivalent to International Accounting Standard 27 - "Consolidated and Separate Financial Statements", for non-controlling interests. The Company will adopt this standard on January 1, 2011.

Business Combinations

CICA Handbook Section 1582 "Business Combinations", replaces Section 1581 - "Business Combinations" and provides the Canadian equivalent to International Financial Reporting Standards ("IFRS") 3 - Business Combinations. This applies to a transaction in which the acquirer obtains control of one or more businesses. Most assets acquired and liabilities assumed, including contingent liabilities that are considered to be reliably measured, will be measured at fair value. Any interest in the acquiring entity owned prior to obtaining control will be re-measured at fair value at the acquisition date, eliminating the need for guidance on step acquisitions. Additionally, a bargain purchase will result in recognition of a gain and acquisition costs must be expensed. The Company will adopt this standard on January 1, 2011.

International Financial Reporting Standards ("IFRS")

In February 2008, the CICA Accounting Standards Board ("AcSB") confirmed the changeover to IFRS from Canadian GAAP will be required for public accountable enterprises for interim and annual financial statements relating to fiscal years effectively beginning on or after January 1, 2011. The AcSB issued the "omnibus" exposure draft of IFRS with comments due by July 31, 2008, wherein early adoption by Canadian entities is also permitted. The Canadian Securities Administrators ("CSA") has also issued Concept Paper 52-402, which requested feedback on the early adoption of IFRS as well as the (continued) use of US GAAP by domestic issuers. The eventual changeover to IFRS represents changes due to new accounting standards. The transition from current Canadian GAAP to IFRS is a significant undertaking that may materially affect the Company's reported financial position and results of operations.

Preparing for IFRS Conversion

International Financial Reporting Standards (“IFRS”) Implementation Plan

The AcSB has confirmed that IFRS will replace current Canadian GAAP for publicly accountable enterprises, effective for fiscal years beginning on or after January 1, 2011. Accordingly, the Company will report interim and annual financial statements (with comparatives) in accordance with IFRS beginning with the quarter ended March 31, 2011.

The Company has commenced the development of an IFRS implementation plan to prepare for this transition, and is in the process of analyzing the key areas where changes to current accounting policies may be required. While an analysis will be required for all accounting policies, the initial key areas of assessment will include:

- Plant and equipment
- Stock-based compensation;
- Accounting for income taxes; and
- First-time adoption of International Financial Reporting Standards (IFRS 1).

As the analysis of each of the key areas progresses, other elements of the Company's IFRS implementation plan will also be addressed, including: the implication of changes to accounting policies and processes; financial statement note disclosures on information technology; internal controls; contractual arrangements; and employee training. The table below summarizes the expected timing of activities related to the Company's transition to IFRS.

Initial analysis of key areas for which changes to accounting policies may be required	Completed December 31, 2009
Detailed analysis of all relevant IFRS requirements and identification of areas requiring accounting policy changes or those with accounting policy alternatives	Throughout fiscal 2010
Assessment of first-time adoption (IFRS 1) requirements and alternatives	Throughout fiscal 2010
Final determination of changes to accounting policies and choices to be made with respect to first-time adoption alternatives	Q2 (June 30, 2010)
Resolution of the accounting policy change implications on information technology, internal controls and contractual arrangements	Q2 (June 30, 2010)
Management and employee education and training	Throughout the transition process
Quantification of the Financial Statement impact of changes in accounting policies	Throughout fiscal 2010

The AcSB has confirmed January 1, 2011 as the date IFRS will replace current Canadian standards and interpretations as Canadian generally accepted accounting principles (Canadian GAAP) for publicly accountable companies. The transition to IFRS may materially affect the Companies reported financial position and results of operations. The Company has initiated the process to identify the differences in accounting standards that are relevant to the Companies business.

The Company is assessing the potential impacts of this changeover and is developing its IFRS changeover plan, which will include project structure and governance, resourcing and training, analysis of key GAAP differences and a phased plan to assess accounting policies under IFRS as well as potential exemptions to the initial adoption of IFRS as permitted by IFRS Statement 1.

Risk Factors

The Company's major properties and mineral projects include the Huajun Germanium operations, the Guojiaping Vanadium Project, the Uranium ARCN program and the Chebucto and North Triumph SDLs, as well as the, Marmion gold Project Ontario, and Nevada SBD gold plus the Sierra Rosario Mexico Project. Unless the Company acquires or develops additional material properties, the Company will be mainly dependent upon these properties in the near term. If no additional major mineral properties are acquired by the Company, any adverse development occurs affecting these properties it could have a material adverse effect on the Company's financial condition and results of operations.

Other risk factors and the impact on the Company's financial instruments are summarized below:

Credit Risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash, investments and sundry receivables. Cash and investments are held with reputable Canadian chartered banks and Chinese banks which are closely monitored by management. Financial instruments included in sundry receivables consist mainly of sales tax receivable from government authorities. Management believes that the credit risk concentration with respect to financial instruments included in cash, investments and sundry receivables is remote.

Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2009, the Company had a cash balance of \$1,873,390 (December 31, 2008 - \$2,603,511) to settle current liabilities of \$400,554 (December 31, 2008 - \$2,734,826). The Company's current financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

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.

Foreign Currency Risk

The Company is exposed to foreign exchange rate risk, as the Company's business is carried out primarily in US dollars ("USD") and Chinese Renminbi ("RMB") and the Company and its subsidiaries maintain USD and RMB denominated bank accounts. Unfavorable changes in the applicable exchange rate between USD, RMB and the CDN dollar may result in a material effect on the 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 investment in foreign currencies and the purchase of services, materials and property and equipment from suppliers invoiced in foreign currencies. For the year ended December 31, 2009, approximately 18% [December 31, 2008 - 39%] of its assets and approximately 25% [2008 -9%] of expenses were incurred in foreign currencies.

Commodity Price Risk

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

Sensitivity Analysis

The Company has designated its cash and investments as held-for-trading, which are measured at fair value. Sundry receivables and due from shareholders are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities and bridge loan are classified as other financial liabilities, which are measured at amortized cost.

As at December 31, 2009, the carrying and fair value amounts of the Company's financial instruments related to cash, investments, sundry receivables, due from shareholders, accounts payable and accrued liabilities and loans are the same.

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

(i) Interest rate risk is remote as the interest rates on the Company's investments have fixed interest rates.

(ii) The Company does not hold significant balances in foreign currencies to give rise to exposure to foreign exchange risk. As at December 31, 2009, \$232,486 cash, \$29,146 sundry receivables, \$17,155 accounts payable and accrued liabilities, and \$nil of long term debts in foreign currencies.

(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 precious, base and specialty metals and uranium. Commodity prices have fluctuated widely in recent years. 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 commodities may also require the Company to reduce its mineral resources, which could have a material and adverse effect on the Company's value. 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.

As of December 31, 2009, the Company is a germanium / coal producer. As a result, commodity price risk may affect the completion of future equity transactions such as equity offerings and the exercise of stock options and warrants. This may also affect the Company's liquidity and its ability to meet its ongoing obligations.

Off Balance Sheet Arrangements

The Company has not entered into any off-balance sheet arrangements.

Corporate Governance, Management Responsible for Financial Statements

Management of the company is responsible for the preparation and presentation of the annual and interim consolidated financial statements and notes thereto and the accompanying MD&A and other information contained therein. Additionally, it is management's responsibility to ensure the company complies with the laws and regulations applicable to its activities.

The company's management is accountable to the Board of Directors ("Directors"), each member of which is elected annually by the shareholders of the company.

Responsibility for the reviewing and approving of the company's quarterly unaudited interim consolidated financial statements and related MD&A is delegated by the Directors to the Audit Committee, which is comprised of three directors, all of whom are independent of management.

The consolidated financial statements and information in the MD&A necessarily include amounts based on informed judgments and estimates of the expected effects of current events and transactions with appropriate consideration to materiality. In addition, in preparing the financial information we must interpret the requirements described above, make determinations as to the relevancy of information to be included, and make estimates and assumptions that affect reported information. The MD&A also includes information regarding the impact of current transactions and events, sources of liquidity and capital resources, operating trends, risks and uncertainties. Actual results in the future may differ materially from our present assessment of this information because future events and circumstances may not occur as expected.

All relevant information related to the Corporation is filed electronically at www.sedar.com and on the Company's website at www.spartonres.ca

Outlook

Going forward, and subject to financing, it is planned to complete the acquisition of the 85% interest in Huajun Mining, and further develop the profitable germanium and thermal coal producing operations of that company. This is expected to be completed in mid 2010. The demand and pricing structure for germanium metal and concentrates is expected to strengthen in the near term and has stood up well under past and current depressed economic conditions. Sparton's evaluation of the operation after assuming operating and financial responsibility in early September 2009 indicates significant room for upgrades to increase profitability with an underground development program to access new reserves and implementation of process controls to increase Ge recovery efficiencies.

The producing asset base from Huajun is now providing modest cash flow to Sparton through its subsidiary YBB and will dovetail into the uranium recovery program from waste coal ash in the same area. By Q4, 2010, subject to financing, it is expected to have a bulk extraction test program underway on the extraction of uranium from Lincang area waste ash followed by completion of a scoping or prefeasibility level study. This will lead to final feasibility work and possible first uranium production from waste ash at Lincang in early to mid 2012. Test work on other ash deposits, mine tailings and low grade waste ore deposits will proceed on an ongoing basis.

The new opportunity to evaluate and acquire the large Guojiaping vanadium deposit in Jiangxi province PRC fits directly into the company's business plan to become a profitable specialty metal producer and bring new value to shareholders through its subsidiaries.

In early 2010 the Company and its environmentally positive waste cleanup programs to produce uranium were recognized in a number of highly regarded international media publications including the Wall Street Journal, the Economist, and BBC4 Radio in England. Ongoing programs on the Company's North America and Mexico properties are at important stages where excellent targets have been identified. With appropriate new financing, it is hoped new drilling will identify significant amounts of potentially commercial mineralization.

New financing alternatives to support all of these activities are being pursued by Company management on an ongoing basis

Management plans to restructure the diverse asset base of Sparton in order to attempt to realize the inherent value of each of its projects for its shareholders. New investors and strategic partners will be sought as part of this plan to rationalize the various components of the Company portfolio of opportunities.

Subsequent Events

Subsequent to December 31, 2009, the Company elected not to renew its option on the Coal Canyon Property (Note 8 (vi) in the December 31, 2009 Consolidated Financial Statements) in Nevada in order to focus its on its core properties in Canada and China.

On March 17, 2010, the Company signed a sale agreement to divest its 39% interest in YSM, the company which owns the Luxi Gold Project (Note 8(i) in the December 31, 2009 consolidated /financial Statements) in Yunnan Province, southwest China. The total sale price was 14 million RMB or approximately USD\$2.044 million US dollars, payable in two tranches.

The purchaser was Joyful Ocean Industrial Group Limited ("JOG"), a Hong Kong registered company which in turn is controlled by Luxi Hai Hua Development Company (Hai Hua) the owner and operator of the local Luxi Gold Mine in the YSM exploration area.

The transaction was effected by the Company selling to JOG a 100% interest in its 100% owned British Virgin Islands ("BVI") registered subsidiary Sparton International Resources Inc. ("SIR"). This transaction did not trigger a change in the actual YSM shareholder structure and therefore no rights of first refusal are available to other YSM shareholders under the YSM Joint Venture Agreement.

SIR's sole asset is its 39% interest in YSM. According to the terms of the share purchase agreement payment was made in two tranches. The first payment of 12 million RMB (approximately USD\$1.752 million dollars) was made on the initial signing of the share purchase agreement. The second and final payment was received by the Company on April 12, 2010.

Additional terms to the share purchase agreement give the Company a right of first refusal to become a 35% participant in any future expansion and development of the Luxi Gold Mine that is forecast to increase gold production by three or more times the current production level of approximately 300KG of gold per year. Further, Sparton will have a right of first refusal to participate, with an interest equal to 35% of the purchaser's YSM interest (13.65%), in any new mine development in the YSM area (by YSM) that at the feasibility stage is forecast to be three or more times the current Luxi Gold Mine production level.

The Chebucto project ExxonMobil evaluation which began in late 2009 included geological and engineering studies to confirm the resource size and production expectations, design the required facilities, and estimate the capital costs for all of the fields under consideration for new SOEP development. As well, certain commercial and regulatory matters needed to be resolved.

The inclusion of Chebucto into the overall development project was subject to results of the early phase of these studies. These were completed in Q1 2010 and the Company was informed by Exxon Mobil that Chebucto would not be included in the planned new SOEP development. ExxonMobil indicated that it did not consider the quality of the technical Chebucto database to be sufficiently reliable to allow a clear understanding of the geometry and size of the field. Exxon Mobil indicated that Sparton and the other Chebucto minority partners were free to propose an alternative program for Chebucto.

Sparton is considering ways of acquiring new and more reliable data for Chebucto, possibly with other groups who are exploring in the local area.