

SPARTON RESOURCES INC.

For the Financial Year ended December 31, 2010

Management's Discussion and Analysis dated April 29, 2011

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 ended December 31, 2010 should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2010 and comparative figures for the year ended December 31, 2009, all of 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 the year ended December 31, 2010, the Company's operations were directed towards a number of activities. These included developing the secondary uranium recovery programs in China and underground and safety development work at the Huajun germanium-coal operation to support future production. All inventories of germanium concentrates from 2009 at Huajun were sold in early 2010 and production from stockpiled coal commenced late in Q1, after the Chinese Spring Festival Holiday. A small sale of germanium flue dust concentrate was made in early June, 2010, representing production from development ore. The development program was partially completed in early Q3 and increased production and concentrate sales have started in the latter part of the year. A full Safety Evaluation Program was completed at Huajun and upgrades were put in place by the end of August 2010. This work included the installation of a new backup generator capable of servicing operations in the new underground mining areas. Approximately six years of new production can be accessed by completion of the planned the development program.

During Q3, the 2010 summer surface prospecting program at the Ontario Atikokan area Marmion gold project in northern Ontario produced positive results with several new gold zones identified. Subsequent to the end of Q3 the Company executed an option agreement with Osisko Mining Corporation to option its entire claim package in the area to Osisko. Osisko will spend \$12 million over 4 years to earn a 70% interest in the Sparton claims. Subsequent to year end 2010 a joint venture agreement was signed with Osisko

Hammond Gold Corporation the local Osisko operating subsidiary, and the 2011 exploration budget is set at \$1 million dollars for the Sparton claims.

The evaluation of the new Guojiaping vanadium opportunity in China was completed and a NI 43-101 Independent Technical Report was prepared by Quest Geological Consultants, of Reno Nevada, USA. This report was positive and confirmed the size and grade of the deposit reported by Team 267. Additionally, in the expert opinion of the authors, a modest exploration program could easily increase the size of the deposit. As a result of this favourable report, the Company paid the first tranche of the purchase price (3 million RMB, or approximately \$452,700 dollars) to Team 267 immediately subsequent to the end of Q2, 2010. Subsequent to year end 2010 the Company formed a new British Virgin Islands subsidiary VanSpar Mining Inc. to hold the Company vanadium project assets. Several new vanadium opportunities became available in the Guojiaping area in early 2011 including the Rentian project and these are currently under evaluation.

Sparton's management continued to devote considerable effort to seek new financing to support the advancement of the vanadium and secondary uranium recovery programs, its germanium production operations, and in rationalizing the Company's diverse portfolio of assets.

Coal / Germanium Operations

Current objectives are to complete the full 85% Huajun interest acquisition, continue underground development of the Huajun operations and enhance their profitability by increasing output and possibly upgrading the current production of germanium concentrate to pure germanium metal through construction of a small refinery. To accomplish this, additional funds will be required. Production has continued from stockpiles and germanium prices and demand strengthened considerably near year end 2010 and continued to be strong into early 2011.

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 in the Chinese joint venture company (60% owned by Sparton), Yunnan Sparton New Environ-Tech Consulting Co. Ltd. ("SNET") which operates the secondary uranium recovery programs in Yunnan. Sparton also carried the 10% share costs of its other PRC partner in SNET, Beijing John Hangseng Investment Company (JHIC).

Test work on leaching uranium from the Lincang area ash deposits continued to produce encouraging results during the year. By the year end 2010 several other large radioactive waste coal ash deposits were under evaluation in China. Evaluation on these and other sites will continue. 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.

Guojiaping Vanadium Project

Sparton announced on November 23, 2009 that its 60% controlled PRC subsidiary, Yunnan Sparton New Environ-Tech Consulting Co. Ltd. ("SNET") had signed a Preliminary Agreement for the evaluation of significant vanadium – uranium deposit in southern China.

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 explored by 267 since May, 2007. Under the agreement SNET may acquire a 65% interest in the joint

venture company to own and develop the Guojiaping Exploration Licence for a total consideration of 53 million Renminbi or approximately \$8 million dollars. The rights to this agreement have been transferred to VanSpar Mining Inc. which will hold all the vanadium projects.

The Guojiaping 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. Under Canadian NI 43-101 nomenclature, this is classed as a “Potential Target”. The mineralized horizon is 3-25 metres thick and shallow dipping. It outcrops at surface and has been explored by a combination of trenching and core drilling.

The vanadium deposit appears to be amenable to simple open pit mining with a very low strip ratio. Additional drilling can expand the “resources” relatively easily and bring them to a higher level of reliability.

At current vanadium pentoxide (V₂O₅) prices of about \$7 US dollars per pound, management believes this project represents a significant opportunity for the Company.

By the end of, 2010 the Company had completed a comprehensive due diligence study of all available 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 National Instrument 43-101 compliant Independent Technical Report was completed in mid May of 2010. An acquisition decision for this Project was made based on the results of this report. To complete the acquisition, additional funds will be required. Payments will be tied to milestones and deliverables of key permits approvals and licences for the project.

Subsequent to the end of the quarter the Company signed a memorandum of understanding with the owners of the Rentian Mining Company which owns a new but shut down vanadium processing plant and mine in Xiushui County near Guojiaping. The agreement allowed Spaton to review the technical operation and provide recommendations for reactivating the operations. This processing plant was completed in 2009 and experienced technical difficulties and only operated for several months. It has a capacity to produce 800-1000 tonnes of V₂O₅ per year and could be a major asset to the Guojiaping project area. In early 2011 after initial due diligence studies proved positive, an exclusive option agreement was signed with Rentian for a 90 day period. 12 drill holes were completed on the Rentian property in Q1 and Q2, 2011 and those results will determine continuation of the transaction. There are several other vanadium projects in this area that are also under evaluation by VanSpar with the objective of possible consolidation into VanSpar to create one of China’s biggest vanadium producers.

Luxi Gold Project China

In 2007 Sparton sold to Starry Limited (the BVI subsidiary of Hong Kong Stock Exchange listed Zhao Jin Gold Mining Industry) 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.

In March, 2010, the Company signed a sale agreement to divest its 39% interest in YSM. The total sale price was 14 million RMB or \$2,146,200. The buyer was Joyful Ocean Group (“JOG”) of Hong Kong and

the transaction was completed by selling JOG Sparton's BVI subsidiary company Sparton International Resources Inc. which owns 39% of YSM. Joyful Ocean is a company controlled by the owner of the Luxi Gold Mine. Sparton retains the right of first refusal to a 35% participation in any significant development of the Luxi Gold Mine and to a 35% interest in Joyful Ocean's interest in any significant development in the overall Luxi Project Area.

North America Precious Metals

The Company continues to seek a partner for the SBD project in Nevada located near Newmont's Phoenix Gold Mine. SBD drilling results by the Company in 2007 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 may be carried out by the Company to expand this zone and develop a potentially commercial inventory of gold mineralization on the claims. In early 2011 Newmont signed a confidentiality agreement for SBD with Sparton and was in the process of studying the technical data for the project.

Mexico Precious Metals

In Mexico, no field work was carried out in Q3, 2010 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 2010 on the project.

Canada Minerals

Marmion Gold Project, Atikokan Ontario, Osisko Joint Venture

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 (collectively called "the Marmion Project"), near the town of Atikokan. The Marmion Project straddles Osisko Mining Corporation's Hammond Reef Project property which hosts a NI 43-101 compliant inferred resource of 6.7 million ounces of gold (259.4 million tonnes at a grade of 0.8 grams per tonne, using 0.3 grams per tonne cut-off), of which 97% lies within 300 metres of surface. As one of the largest development programs in North America there are 20 drills operating at Hammond Reef and the planned 2011 exploration program on the Sparton claims will begin in Q2, 2011 and is budgeted at \$1 Million dollars. It is being managed by a committee with representatives of Osisko and Sparton.

The initial prospecting program and drilling by the Company on these claims had produced very encouraging results. A new gold discovery was 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.

This included the new South Silicified Zone ("SSZ") located southwest of the high grade Stubby Zone on the WHC claims. 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 kilometres. Anomalous gold values in soils analysed grid were observed for a strike length of about 2.2 kilometres. The data display several anomalous trends within the area and a significant number of anomalous values occur beyond the north-western limit of the area where detailed work was done, and these sample values indicated up to 1.71 and 1.92 g/t gold.

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 2,750 metres were completed in the initial five week drilling program. A further 4 holes were completed totalling approximately 1,250 metres in early March 2010.

Highlights of the first part of the initial Sparton drill program include intersections of 0.4 g/tonne gold over 39.4 metres (including 14.8 metres 0.80 g/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 2010 drilling program consisted of 4 additional holes totalling approximately 1,200 metres in length which were completed prior to the spring breakup. All intersected wide (up to 100 metre) zones of alteration and anomalous gold mineralization in the Finlayson Volcanic – Marmion Batholith contact zone. These holes tested the shallow part of the South Silicified Zone (“SSZ”). For example, Hole WHC10-14 located 75 metres to the south of holes WHC10-07, 12, and 13 tested the intersections reported previously in those holes (see Sparton news release dated March 1, 2010) at depth. This hole intersected a 100 metre (core length) zone of anomalous gold values in altered Marmion Batholith granitic rocks which included intersections of 1.46 g/t gold over 1.0 metres, 3.48g/t gold over 0.4 metres, 1.32 g/t gold over 1.0 metre, 0.62g/t gold over 1.0 metre and 0.48g/t gold over 1.0 metres. Semi-continuous gold values between these intersections ranged from 100-400 ppb gold. One continuous zone from 282-296 metres in this hole averaged 0.40 g/t gold over a 14 metre core length at a depth of approximately 225 metres below the surface confirming the increase in gold values with depth seen in Hole WHC10-12 which encountered 0.37 g/t Au over 39.4 meters including 0.74 g/t Au over 14.8 meters. Deeper drilling on this zone will be required.

It is clear from these results that the deeper part of the SSZ contains better gold values and more consistent mineralization. Future drilling under the Osisko program will involve deeper testing of this zone.

The intense alteration and structural deformation associated with contact between the Finalyson Volcanic belt and the Marmion granite batholith represents a major exploration opportunity and the Sparton-Osisko JV now controls over 20 km of this contact zone and mineralization is very similar to the nearby Osisko 7 million ounce Hammond Reef gold deposit currently under advanced development.

Subsequent to the end of Q3 on November 11, 2010 the Company signed a Letter of Intent (“LOI”) to option its Marmion Project to Osisko. In early 2011 the LOI was converted into an Option and Joint Venture Agreement with Osisko Hammond Reef Gold Ltd. the local operating subsidiary of Osisko Mining Corporation. Under this agreement Osisko will spend an initial \$8 million dollars over a 4 year period to earn a 60% interest in the claims and have an option to spend an additional \$4 million dollars to earn an additional 10% (for a total of 70%) in the claims. Osisko will subscribe to purchase Sparton shares with a total value of \$1,000,000 during the first year of the option, and Osisko must expend a minimum of \$1.2 million dollars on exploration prior to November 11, 2011.

The exploration program is expected to begin in early Q2, 2011 and will initially involve deeper drilling of the gold discoveries made on the WHC claims by Sparton. New sample results provided by Osisko from

mineralization found on the West Hammond claims at the end of the 2010 field season returned grab sample values of up to 6.86 grams gold and new work will also be directed to these new showing areas.

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 has 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 to or greater than 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 was completed in 2010 and involved detailed surface exploration on all the reported uranium occurrences in the area and re-sampling of the areas of positive results from 2009. Several new uranium occurrences were found associated with coal horizons in the Ravenscrag Formation.

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, government leasing activity in the immediate Chebucto area and the Sable Island region had 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 that ExxonMobil 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 the Chebucto 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.

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 ExxonMobil that

Chebucto would not be included in the current 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. Sparton is considering ways of acquiring new and more reliable data for Chebucto, possibly with other groups who are exploring in the local area. There were no new developments with Chebucto during the remainder of 2010 and natural gas markets remained weak throughout the remainder of the year.

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 ending December 31, 2009 the Company wrote off the value of its Whiskey, Coal Canyon, 208, and Luxi Projects for a total 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 were also written off in the year ended December 31, 2009 (see Note 9 to the December 31, 2009 Consolidated Financial Statements). No additional write-offs were taken in Q3, 2010. In 2010, Euro Ash Project was written off as the Company decided not to continue the project with partner Wild Horse Energy after test results for uranium recovery on the Ajka project in Hungary proved uneconomic.

The consolidated financial statements include the accounts of the Company and its wholly and partly owned subsidiaries including: EDCOR Drilling Services, Energy Data Science (EDS), 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 SEI's wholly-owned interest in Yunnan Blue Bay Mining Co. Ltd. ("YBB") and the 51% interest in the Huajun 306 germanium operations .

Due to the fact that a new comprehensive mining licence had not yet been granted at year end 2010, 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 December 31 2009 year-end audited financial statements or the unaudited financial statements for the period ending March 31 2010. In July 2010, the Company and the 306 owners confirmed further in a written agreement that the Company would continue the control of 306 Mine site and operate under the old mine license until the new one is approved. Therefore the financial statements were consolidated retroactively from January 1, 2010 up to June 30, 2010. As at December 31, 2010, the Company's mining license and coal production permit have expired. The Company continues to pursue a consolidated mining license for the 306 Mine.

These audited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. All intercompany transactions have been eliminated at year end 2010.

Financial Highlights, Expenditures

Exploration properties and deferred exploration expenditures increased to \$7,588,661 in 2010, from \$6,242,678 in 2009. As a result of the 51% acquisition of the Huajun, 306 Mine producing property valued at \$2,093,902, was recorded by the Company in 2010, while depletion charges for 2010 amounted to \$27,538.

Expenditures of \$94,096 were incurred in 2010 on the ARCN secondary uranium recovery program (waste ash) in China pending the planned bulk test program, compared to \$345,392 in 2009. As well, the new Guojiaping Vanadium project incurred \$474,165 of expenditures in 2010 representing the initial acquisition payment cost paid to Team 267 and technical expenses related to the preparation of the Independent Technical Report.

Expenditures of \$82,487 were incurred on the SBD Nevada project in 2010, compared to \$125,430 in 2009. These represented lease and advance royalty payments and the costs of claim filing fees. Expenditures of \$767,858 were spent on the Company's Atikokan Project in 2010 compared to \$617,559 in 2009. The bulk of these costs were for diamond core drilling and geophysical surveys, and the surface prospecting and geochemical sampling program. Approximately 20% of these costs were related to property payments.

No significant expenditures were incurred at the Mexican Sierra Rosario Project during the past year 2010.

All the costs of the active projects are carried on the books under Deferred Exploration Expenditures (See note 9 to the December 31, 2010 consolidated financial statements). All the results of our exploration work were described in the quarterly Management Discussion and Analysis which accompany the unaudited quarterly financial statements and by way of press releases throughout the year. 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 production, exploration and development activities.

Results of Operations

Financial year ended December 31, 2010 compared to that ended December 31, 2009

For the year ended December 31, 2010, the Company's investing activities amounted to a net in-flow of \$580,954 as compared to net expenditures of \$2,857,959 in 2009, reflecting the substantial \$2,146,200 proceeds received on the residual sale of the Luxi gold project in 2010, whereas the 2009 figures include \$1,713,960 in payments for the Huajun germanium operations acquisition project consolidated as of 2010.

Cash flow from operating activities showed a net use of cash totalling \$2,461,447 in 2010 versus \$1,287,660 in 2009. The net loss for 2010 was \$2,664,202 compared to net loss of \$3,795,907 in 2009. Mining revenue from the Company's newly consolidated operating operations amounted to \$97,481 in 2010 with corresponding mine operating expenses of \$380,360 and amortization and depletion expenses of \$149,135 generating a gross loss of \$432,014 for the year. This loss reflects costs for significant investments in new safety and electrical equipment at Huajun and the timing of Germanium concentrate sales. The local market for Germanium concentrates in the Huajun operating area decreased in value by approximately 50% through 2010. The operation was fortunate to produce dominantly from stockpiled coal and stockpile production continued through Q1, 2011. The local market for concentrate strengthened considerably in early 2011 and prices are now about 70% higher than the 2010 lows. Operations in early 2010 should be profitable as there is still production taking place from stockpiles with no mining required. The Company's contract drilling arm, Edcor Drilling Services has recently signed a large long term contract with a third party and is expected to produce significant revenue in 2011. ... Overall corporate expenses totalled \$2,128,848 in 2010 compared to \$1,429,270 in 2009 reflecting consolidation of Huajun expenses in 2010 as well as a general increase in the Company's overall level of activities and additional costs for the vanadium programs in China.

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 2010	Sep.30 th 2010	Jun. 30 th 2010	Mar. 31 st 2010	Dec. 31 st 2009	Sep.30 th 2009	Jun. 30 th 2009	Mar. 31 st 2009
Operating Revenue (\$)	97,481	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Net Loss (\$)	1,657,934	409,310	370,649	156,351	3,203,791	500,750	224,269	109,972
Basic and Diluted Loss Per Share (\$)	0.03	0.00	0.004	0.00	0.06	0.01	0.00	0.00

Liquidity and Financial Condition

As at December 31, 2010, Sparton had current assets of \$1,761,744 versus \$2,246,734 at year end 2009. Cash equivalents and short term investments totalled \$1,158,897 compared to \$1,906,140 in 2009. Accounts receivable increased to \$170,471 from \$31,784 the previous year, and inventory of \$193,064 was registered at 2010 year end, both items reflecting the newly consolidated assets of Huajun mining operations. Equipment assets substantially increased to a net \$580,342 at year end 2010 compared to \$62,930 at 2009 year-end, also reflecting the consolidation of Huajun assets. Current liabilities totalled \$3,487,308 at year end 2010, compared to \$400,554 at 2009 year-end.

Minority interests representing valuation of the share interest held by minority shareholders in Sparton's subsidiary companies was \$131,004 at 2010 year end.

Outstanding Share Data

Sparton's authorized capital consists of an unlimited number of common shares without par value. As at December 31, 2010, there were 94,283,930 common shares issued and outstanding. The following options and share purchase warrants were also outstanding:

Options – 7,015,000 at a weighted average exercise price of \$0.20.

Share Purchase Warrants – 14,690,834 at a weighted average exercise price of \$0.20.

Related Party Transactions

During the year ended December 31, 2010, professional fees relating to the Company's capitalized exploration projects in amount of \$116,800 (2009 – \$72,000) were paid to a director who is the President of the Company. Also, \$89,880 (2009 – \$54,000) in management and consultant 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 \$18,710 (2009 – \$19,420) were paid to an officer of the Company.

During the year ended December 31, 2010, the Company paid \$19,506 to a corporation which is controlled by a director of the Company, for consulting fees relating to seeking financing for the Company's germanium and vanadium projects in China. These fees were charged as general and administrative expenses on the statement of operations.

For 2010, a total of \$5,600 was paid to the members of the Company's board of directors for meetings. 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 publication, 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 replaced 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, 2010. 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. The Company is currently evaluating the impact that this new standard may have on the consolidated financial statements of the Company.

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 has adopted 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 publicly 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 and ongoing in 2011

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 International Accounting Standards Board responsible for the development and publication of IFRS has a significant number of projects underway, many of which could impact the differences between Canadian GAAP and IFRS applicable to the Company. Changes in IFRS could result in additional adjustments and/or changes to the adjustments currently being recognized in the IFRS opening balance sheet. Accordingly, the Company continues to monitor and evaluate changes in IFRS, and to update the conversion plan as required

The Company has identified several areas where potential differences between Canadian GAAP and IFRS could result in changes to the amounts reported by the Company in its financial statements. While the quantification of these potential changes has not yet been finalized, the areas where the changes are anticipated include:

Foreign Currency

IFRS requires that the functional currency of the Company and its subsidiaries be determined independently for each entity, and under IFRS the factors considered to determine the entity's functional currency are somewhat different than current Canadian GAAP.

Asset Retirement Obligations

Under IFRS, a liability must be recognized at the time when the entity becomes legally or constructively obliged to rehabilitate a disturbance resulting from mining activities, while under Canadian GAAP, a liability is only recognized when the entity is legally bound. Discount rates used should reflect the risks specific to the decommissioning provision. Unlike IFRS, under Canadian GAAP discount rates for asset retirement obligations are based on the entity's credit-adjusted risk-free rate. IFRS requires re-measurement of the liability at each reporting date whereas Canadian GAAP requires re-measurement of the liability in the event of changes in the amount or timing of cash flows required to settle the obligation. Over and above this, IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, requires the re-measurement of the provision for reclamation and rehabilitation if there is a change in the current market-based discount rate. However under Canadian GAAP HB 3110 *Asset Retirement Obligations*, the provision for reclamation and rehabilitation is not adjusted for changes in the discount rate.

Property, Plant and Equipment

IFRIC 1, *Changes in Decommissioning, Restoration and Similar Liabilities*, contains guidance on accounting for changes in decommissioning, restoration and similar liabilities due to timing in the revision of estimated outflows and revisions to the risk-free discount rate. Where changes occur, these changes are required to be capitalized as part of the cost of the underlying assets and depreciated prospectively over the remaining life of the asset to which they relate.

IFRS requires identifying and measuring the cost of significant individual components of assets which have different useful lives than the core asset. Significant components are then separately depreciated based on their individual useful lives.

Share-based payments

While there is convergence between IFRS and Canadian GAAP in that share-based payments are recognized as an expense, there are a number of measurement differences. Under Canadian GAAP, the Company records forfeitures on unvested stock options as they occur. Unlike Canadian GAAP, IFRS requires that the rate of forfeiture be estimated every reporting period and an adjustment be made to stock based compensation expense. Canadian GAAP also allows the vesting of employee stock options to be recognized to operations on a straight-line basis whereas IFRS requires the use of a graded vesting model.

Income Taxes

IFRS requires a deferred tax asset or liability to be recognized for exchange gains and losses related to nonmonetary assets and liabilities that are re-measured into the functional currency using the historical exchange rates. Under Canadian GAAP, a deferred tax asset or liability is not recognized for a temporary difference arising from the difference between the historical exchange rate and the current exchange rate translations of the cost of non-monetary assets and liabilities of integrated foreign operations.

Furthermore, Canadian GAAP requires that the current and long-term portions of future income tax assets, and future income tax liabilities, be shown separately on the financial statements, whereas IFRS does not.

Exploration Expenditures

IFRS 6 applies to exploration and evaluation expenditures incurred by an entity in connection with the exploration and evaluation of mineral resources. An entity may choose to defer on the balance sheet nearly all exploration and evaluation expenditures or recognize all such expenditures in operations as incurred. IFRS currently allows an entity to retain its existing accounting policies related to the exploration and evaluation of mineral properties, subject to some restrictions.

Impairment of Assets

IAS 36, *Impairment of Assets* ("IAS 36") uses a one-step approach for testing and measuring asset impairments, with asset carrying values being compared to the higher of their value in use and fair value less costs to sell. Value in use is defined as being equal to the present value of future cash flows expected to be derived from the asset in its current state. In the absence of an active market, fair value less costs to sell may also be determined using discounted cash flows. The use of discounted cash flows under IFRS to test and measure asset impairment differs from Canadian GAAP where undiscounted future cash flows are initially used to compare against the asset's carrying value to determine if impairment exists. This may result in more frequent adjustments in the carrying value of assets under IFRS. However, under IAS 36, previous impairment losses may be reversed where circumstances change such that the impairment has been reduced. This also differs from Canadian GAAP, which prohibits the reversal of previously recognized impairment losses.

IFRS 1, First-Time Adoption of IFRS

IFRS 1 provides the framework for the first-time adoption of IFRS and specifies that, in general, an entity shall apply the principles under IFRS retrospectively. Certain optional exemptions and mandatory exceptions to retrospective application are provided for under IFRS 1. Prior to reporting the first IFRS compliant financial statements for the quarter ending March 31, 2011, the Company may decide to apply certain exemptions contained in IFRS 1.

i) Business combinations

IFRS 1 provides an option to not restate business combinations that occurred prior to the transition date or to only restate business combinations that occurred after a designated date prior to the transition date.

ii) Fair value as deemed cost

IFRS 1 allows an entity to initially measure an item of property, plant and equipment upon transition to IFRS at fair value on the transition date or at an event-driven fair value (i.e. a fair value determined through a business combination or initial public offering). This elective exemption can be applied on an individual asset basis.

iii) Cumulative translation account ("CTA")

IFRS 1 allows cumulative translation differences for all foreign operations to be deemed zero at the date of transition to IFRS, with future gains or losses on subsequent disposal of any foreign operations to exclude translation differences arising from prior to the date of transition to IFRS.

iv) Decommissioning liabilities

Under IFRS 1, an entity can elect to not apply the provisions of IFRIC 1 - Changes in Existing Decommission, Restoration and Similar Liabilities, as they relate to changes in such liabilities before the date of transition to IFRS.

When applying this exemption, an entity determines its decommissioning liabilities at the transition date, discounts the liabilities back to the dates when they first arose using management's best estimate of the historical risk-adjusted discount rates, and depreciates these amounts forward to the transition date to determine the amount to be included in the depreciated cost of the assets.

v) Share-based payment

IFRS 1 encourages, but does not require a first time adopter to apply IFRS 2 – Share-based Payment (“IFRS 2”) to equity instruments that were granted on or before November 7, 2002, or were granted after November 7, 2002 but vested before the Company's IFRS transition date. Accordingly, an entity may elect not to retrospectively apply IFRS 2 to these equity instruments.

vi) Borrowing costs

IFRS 1 permits an entity to apply the transitional provisions of IAS 23 - Borrowing Costs (“IAS 23”) as an alternative to full retrospective application. Under these provisions, the Company may elect to only apply IAS 23 to qualifying assets for which the commencement date for capitalization is on or after the date of transition (or an elected earlier date).

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 applicable IFRS Policy Statements .

Risk Factors

The Company's major oil and gas properties and mineral properties are the offshore Nova Scotia Chebucto natural gas SDL, the nearby North Triumph SDL, Huajun's 306 Mine, the YSNET China secondary uranium recovery joint venture with ARCN, the VanSpar vanadium projects in China, the Atikokan Ontario Marmion Gold Project - Osisko Joint Venture, the Nevada SBD Project and the Sierra Rosario Project in Mexico. Unless the Company acquires or develops additional mineral properties, the Company will be mainly dependent upon these properties. If no additional major mineral properties are acquired by the Company, any adverse development affecting these properties would 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. 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, 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, 2010, the Company had a cash balance of \$1,110,397 (2009 - \$1,873,390) to settle current liabilities of \$3,487,308 (2009 - \$400,554). The Company's current financial liabilities have contractual maturities of less than 12 months and are subject to normal trade terms. Included in the current financial liabilities was a short-term debt of US\$1,500,000, which was repaid in full with the proceeds from a subsequent sale of a subsidiary's shares. Subsequent to the year end, additional working capital has been obtained from the warrants excised (please refer to Subsequent Event Note).

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 a portion of the Company's business is carried out in US dollars ("USD") and Chinese Renminbi ("RMB") and the Company and its subsidiaries maintain USD and RMB denominated bank accounts. Unfavourable 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, 2010, approximately 45% (2009 - 18%) of its assets, and 28% (2009 -25%) of expenses were incurred in foreign currencies. As well, for the year ended December 31, 2010 approximately ---% of revenue (2009 ---%) was incurred in foreign currencies.

Interest Risk

The Company carries short-term debts on which interest is payable at a fixed rates of 10%-17.6% per annum. Management believes that interest rate risk is remote as the Company currently does not carry interest bearing debt at floating rates. In early 2011 this was reduced to 6% (see Subsequent Event section).

Security Risk

The Company carries investments in certain public securities for which price fluctuations can affect the Company's earnings. The Company classified these investments as held-for-trading where price volatility is reflected in earnings.

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

As at December 31, 2010, the carrying amounts of the Company's financial instruments related to cash, investments, accounts receivable, sundry receivables, due from shareholders of a subsidiary, accounts payable and accrued liabilities and long-term debt are the same as the corresponding fair values.

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) As at December 31, 2010, \$540,628 in cash, \$21,131 sundry receivables, \$58,777 accounts payable and accrued liabilities and \$1,491,900 of short-term debts are held in foreign currencies. 10% fluctuations in the exchange rate from USD and RMB to CND\$ will generate a foreign gain or loss of approximately \$99,000.

(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.

Off Balance Sheet Arrangements

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

Corporate Governance and Management's Responsibility 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 annual audited and 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, www.spartonenergy.com, and www.vanspar.com.

Outlook

Going forward, and subject to financing, the Company plans to complete the acquisition of the 85% interest in Huajun Mining, once the new mining licence is issued, and further develop the profitable germanium and thermal coal producing operations of that company. 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 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 Germanium 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 early 2011, subject to financing, it is expected to begin a bulk extraction test program 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 acquire and develop the large Guojiaping vanadium deposit in Jiangxi province, China and the evaluation of the local refinery fits directly into the Company's business plan to become a profitable specialty metal producer and bring new value to the shareholders through its subsidiaries.

Over the past year, the Company and its environmentally positive waste cleanup programs used 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 American and Mexican gold projects are at important stages where excellent targets have been identified. With appropriate new funding, it is hoped that drilling will identify significant amounts of commercial mineralization.

New financing initiatives 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 realizing 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's portfolio.

Subsequent Events

(a) On March 10, 2011, the Company, through its wholly owned subsidiary, Sparton International Holdings ("SIH"), sold an 18.8% interest, equal to 6,057,534 common shares in VanSpar Mining Inc.

("VanSpar"), at USD \$0.25 per share, for total proceeds of USD \$1,514,383 (\$1,477,432) to Alpha Prime Investments Ltd. ("Alpha Prime"). VanSpar is a newly incorporated British Virgin Islands (BVI) subsidiary that holds the Company's various vanadium project rights and assets in People's Republic of China, including Guojiaping and the Rentian Projects. There are currently 32,250,000 shares of VanSpar issued and outstanding, of which 74.2% are now owned by the Company through SIH, 18.8% by the new investor, Alpha Prime, and the remaining 7% by officers, directors, consultants and employees of the Company. The condition of the sale to Alpha Prime is that if SIH does not complete a liquidity event, or if VanSpar's interest in the mineral properties located in Jiangxi Province is cancelled, not granted, or lost to, or removed from VanSpar within 18 months from the closing, Alpha Prime, shall have the right to exchange the Purchase Shares for a maximum potential shares issuance of 12,619,863 shares at \$0.12 per share of the Company within 20 months from the closing.

(b) On March 10, 2011, upon receiving the proceeds of the above financing from Alpha Prime, the Company repaid the outstanding bridge loan to Quam. The \$1,514,383 repayment of principal and interest has resulted in the release and discharge of all related covenants and obligations to Quam.

(c) On March 17, 2011, the Company executed a joint venture agreement (JV) with Osisko Hammond Reef Gold Ltd., which allows Osisko to spend \$1,000,000 on exploration during 2011 to maintain its option to acquire up to a 70% interest in approximately 7,500 hectares of mining claims held under options from third parties or wholly owned by the Company in the Atikokan Gold Area, Ontario.

(d) On March 28, and April 5, 2011 respectively, an aggregate of 4,166,667 share purchase warrants were exercised for total proceeds of \$625,000. Each warrant exercised entitled each holder to one common share of the Company and accordingly, 4,166,667 common shares have been issued from treasury.

(e) Debt Reduction and Restructure

On April 17, 2011, the Company restructured the \$1,700,000 long-term debt from an arm's length third party (the "Lender"). The restructuring included the repayment of the sum \$500,000 of the original \$1,700,000 loan and the issuance of a new loan (the "New Loan"). The unsecured New Loan has been issued in the principal amount of \$1,300,000, evidenced by a new debenture. This new debenture carries 6% annual interest, payable on quarterly basis in arrears, and is repayable on or before November 18, 2011. In addition, the Company will issue to the Lender, subject to regulatory approval, 1,200,000 one-half share purchase warrants, whereby a full warrant will allow the purchase of one common share of the Company at \$0.25 for one year from the date when the TSX-V approval of the transaction is received. If any major financing or asset sale completed by the Company results in the Company having in excess of \$1,500,000 in cash net of the New Loan, the New Loan will be repaid immediately.