SPARTON

2022

ENERGY STORAGE AND SPECIALTY METALS

UNIQUE OPPORTUNITIES IN A CHANGING WORLD

<u>2022 – ANNUAL STATEMENTS</u>

MANAGEMENT DISCUSSION AND ANALYSIS

CONSOLIDATED FINANCIAL STATEMENTS

SPARTON RESOURCES INC.

SPARTON RESOURCES INC.
For the year ended December 31, 2022

Management's Discussion and Analysis dated April 28, 2023

The following discussion and analysis of results of operations of Sparton Resources Inc. ("Sparton" or the "Company") and its subsidiaries for the year ended December 31, 2022, should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2022, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All currency is shown in Canadian dollars unless otherwise stated. The Company's current subsidiaries are comprised of: (i) Sparton International Holdings Inc. (100% owned) ("SIH") (ii) VanSpar Mining Inc. (90% owned by SIH) ("VanSpar"), both of which are registered in the British Virgin Islands, and (iii) Edcor Drilling Services Inc. ("EDCOR"), (100% owned) registered in Ontario, Canada. VanSpar owns approximately 9.9% of VRB Energy Inc. ("VRB Energy") a Cayman Islands company and manufacturer of vanadium flow batteries with a factory in Tongzhou (Beijing) China.

Forward-Looking Information

This Management's Discussion and Analysis ("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 that 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

The Company continues to seek financing for its various gold related projects in Canada and to evaluate other opportunities related to the mineral exploration and vertically integrated energy storage industry activities. It also, through joint venture partners, or internally, is continuing its evaluation of other domestic exploration projects including the Bruell gold property in Quebec, and the Matachewan area Ontario Oakes Leases and adjacent mineral claims.

The VRB ENERGY Transaction:

In 2016, under a Share Acquisition Agreement (the "SAA") between private investment corporation, HPX TechCo Inc., and VanSpar, HPX TechCo Inc. agreed to directly fund the acquisition of the shares of JD Holding Inc. ("JDH") for US$ 3.3 million (the "Funding Transaction"), pursuant to an existing share purchase agreement between VanSpar and JDH, a private company that owned a leading vanadium battery manufacturer and distributor and its security holders. JDH was later renamed Pu Neng Energy in China and JDH renamed VRB Energy Inc. ("VRB Energy") internationally.

In consideration for HPX TechCo Inc. funding the acquisition cost together with a further US$2,000,000 for working capital and US$605,000 paid to VanSpar, VanSpar caused 82% of the VRB Energy shares to be transferred to HPX TechCo Inc., with the remaining 18% being retained by VanSpar (the "VRB Transaction").

The VRB Transaction was financed by HPX TechCo Inc., which provided the purchase price funding of US$ 3.3 million payable to the then current security holders of VRB Energy, with payment of at least US$1,650,000 on closing. The balance of the purchase price could be reduced by up to US$300,000 for financial obligations or liabilities of the VRB Energy subsidiaries after closing. The net balance of the purchase price would be paid to the then current VRB Energy security holders after closing.

The VRB Transaction also required a minimum US$2 million investment within 20 business days after closing, to provide working capital to reactivate the VRB Energy subsidiaries' operations. These funds were also to be invested by HPX TechCo.

In addition, under the terms of the restructured transaction, in the event that VRB Energy or its affiliates acquire certain vanadium assets in China within 5 years after closing, VanSpar will receive a finder's fee equal to 5% of the value of the acquired assets up to a maximum of US$250,000.

The VRB Transaction and the Funding Transaction were closed before December 31, 2017. US$1,650,000 had been paid to the former shareholders of VRB Energy in 2017, and US$1,650,000 ($2,215,636) had been received and held by the Company and paid to the former shareholders of VRB Energy. VanSpar received a US$605,000 transaction fee payment from HPX TechCo shortly after closing as per the terms of the Funding Transaction, which together with the 9,000,000 VRB Energy common shares (equal to 18% equity in VRB) received and valued at $700,000 was recorded as other income in 2017. The 9,000,000 VRB Energy common shares (split into 18,000,000 shares on November 30, 2017) were revalued to $1,493,856 at December 31, 2021 and $1,587,133 at December 31, 2022.

In 2017, the Company's subsidiary VanSpar executed a profit-sharing agreement with a private investor for VanSpar to acquire additional shares in VRB Energy. Before the agreement VanSpar owned 9,000,000 common shares of VRB Energy or 18% of the total VRB Energy shares. Under the profit-sharing agreement, the private investor agreed to provide funds required for VanSpar to participate in any VRB Energy financing and acquire additional VRB Energy shares ("Additional Shares") in VRB Energy's future financings, to maintain VanSpar's 18% in VRB Energy. The funds could be used only for this purpose.

Once the Additional Shares are sold subsequent to a liquidity event, the investor will be entitled to 80% of the profits from sales of VRB Energy shares acquired by the investor, (calculated as proceeds of sales minus transaction costs minus the principal fund provided by the investor plus 7% annual interest). VanSpar would entitled to receive 20% of the profit. In the event that there is no profit or even a loss, VanSpar will not be responsible for repayment of the principal funds to the investor. In 2017, VanSpar participated in a VRB financing where VRB Energy raised US $5 million through the sale of 38,759,690 shares at a deemed value of USD$0.129 per share, completed by 5 tranches. As of December 31, 2017, VanSpar had received five payments for a total of US$900,000 from the private investor to participate in this financing and had made five payments to VRB Energy for purchase of 6,976,744 Additional Shares. The Company has determined this profit-sharing agreement with the investor to be a joint operation and had recognized no share of gain, asset or liability as of December 31, 2021 and December 31, 2022. There is no downside risk to the Company as VanSpar does not have obligation to repay the full principal fund, therefore the Company has not recorded the funding provided by the private investor as a financial liability and has not recorded the Additional Shares as a financial asset.

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

VanSpar did not participate in the financing and now retains its original 31,953,488 VRB Energy shares representing a 9.8 percent share interest in VRB Energy. With a share ownership now below 10% VanSpar no longer is entitled to nominate its representative to the VRB Energy board of directors.

On June 2, 2020, VRB Energy announced the commissioning of a 5 KW (4hour) vanadium redox battery, as part of a 10 KW photo-voltaic plus energy storage system pilot demonstration project with Hesteel Group Company Ltd., the largest steel and vanadium supplier in China. This solar-shifting pilot project is just the first step toward widespread deployment of the technology.

On August 23, 2020, VRB Energy reported that it has produced a more efficient 3rd generation vanadium battery.

VRB Energy pursued a number of sales opportunities during the year 2021 and 2022.

VRB Energy signed an agreement on March 4, 2021, to build China's largest photo voltaic ("PV") solar integrated battery system – to build in phases a 500 MWH PV and energy storage power station integrating VRB Energy's vanadium flow battery energy storage system ("VRB-ESS"). The project will be located in Xiangyang, Hubei Province, China at a new industrial park complex that will include a VRB-ESS manufacturing "Gigafactory", and a vanadium flow battery energy research and development institute. It will eventually generate 100 megawatts (1GW) of power annually.

VRB Energy has the current opportunity to receive a contract increasing the 100 megawatt project for Hubei Province to 500 megawatts. The timing of the award for this project has been deferred until early in the new year, 2023 due to ongoing covid issues in PRC.

With lower international vanadium prices, it also continued to seek a long-term economical vanadium supplier and plans to become vertically integrated in the medium term. This will lead to very competitive pricing for its products and is expected to generate new sales. Currently VRB Energy is one of only a few companies manufacturing batteries for clients who supply their own electrolyte.

Contract Drilling Business

Revenue and expenses relating to one of the drill units owned by the Company's EDCOR subsidiary is shared with Eva Lake Mining Ltd., an aboriginal Metis service company, based in Atikokan Ontario.

For the year ended December 31, 2022, the Company reported $1,141,865 (2021 - $470,768) drilling revenue and a cost of drilling of $808,820 (2021 - $414,585). It is actively negotiating new contracts in the 2023 field season.

Bruell Property, Canada

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

Under the terms of the 5-year option agreement Sparton issued a total of 1,500,000 Common Shares, incurred a total of $1,500,000 in exploration expenditures on the claims, and made cash payments totaling $300,000 to earn a 100% interest in the Property. Production Royalty: If commercial production takes place on the Bruell property, the Vendors, collectively, will be entitled to receive an annual production royalty (the "Royalty") equal to 2% of Net Smelter Returns as customarily defined. At any time after a feasibility study is completed for development of any part of the Property ½ of this Royalty (or 1%) may be purchased by the Company for the sum of $1,000,000. All cash payments share issuances, and royalty payments if any, will be paid or issued as to 50% of the totals to each prospector.

On December 16, 2019, Sparton announced that it executed an Option Agreement with Eldorado Gold Corporation (“Eldorado”) granting Eldorado the option to earn up to an initial 75% interest (“Option”) in the Bruell Project Eldorado has the right to have Sparton participate in a new joint-venture in which Sparton will hold a 25%, or buy-out Sparton’s 25% interest for $1.8 million adjusted for the Consumer Price Index at the time Eldorado makes the election, in which case Sparton will be granted a 2% Net Smelter Return Production Royalty (“NSR”), and 50% of the NSR can be purchased by Eldorado for $2.5 million at any time.

This agreement may provide the Company with up to $4.5 million in cash payments and an ongoing 1% net smelter return royalty should Sparton not participate in future equity development.

The Company has completed the earn-in and exercised its option to acquire 100% of the 51-claim Bruell Property. It did so by issuing a total of 1.5 million common shares of the Company, making $300,000 in cash payments to the vendors, and incurring $1.5 million in exploration expenditures on the claims.

In 2022, Eldorado completed 11 diamond drill holes totaling 4,745 meters. Complete assays are now available. The drilling work (9 holes) concentrated on the area between the Avocalon /Aurora shaft and the area where Sparton drilling in 2018-2019 located several wide shear zones with anomalous gold mineralization. Please see Sparton News Release dated April 25, 2019. Two holes (numbers 10 and 11) were drilled about 2,500 meters to the east of this area to test a gold-in-till geochemical anomaly.

Eldorado’s 2022 work also involved structural analysis of the geometry of the mineralized intervals to determine true thickness. As well, limited trenching, stripping and sampling where feasible, was completed in the central claim area. No drilling was done in the vicinity of the Bruell 1 and Bruell 2 shaft areas to the north and west of Avocalon/Aurora area. A map showing the drill hole locations will be posted on the Sparton website at www.spartonresources.com. The Hole Collar Table for the Bruell drilling follows the text of this news release.

Exploration activities on the Bruell project have been conducted under the direct supervision of Eldorado Gold Québec employee Nathalie Prud’homme, P.Geo. from Eldorado Gold who is a qualified person as defined by National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101"), and has verified and approved, the scientific and technical disclosure contained in this press release in relation to the Bruell project. Eldorado operates its exploration programs according to industry best practices and employs rigorous quality assurance and quality control procedures. All results are based on half-core samples of diamond drill core. Drill core samples were prepared and analyzed at ALS-Chemex Laboratories in Val d’Or, Quebec. All gold assays are based on fire assay analysis of a 30 gm charge followed by an atomic absorption finish. Samples with gold grades above 5.0 g/t were re-assayed and completed with a gravimetric finish. Some of the samples were prepared and analyzed at the MSA Lab in Val-d’Or where a 500 gm charge is analyzed for gold by gamma ray with photon assay instrumentation. Certified standard reference materials, field duplicates and blank samples were inserted regularly and were closely monitored to ensure the quality of the data.

Eldorado has successfully completed its option commitments but has not yet exercised its option. The completion of the required work and payments to the vendors by Eldorado has enabled the Company to complete acquisition of the Bruell Property, as mentioned above.

Eldorado has requested, and Sparton has agreed to a one-year extension on the Eldorado Option Agreement. In consideration for the extension, Eldorado has agreed to carry out a minimum of 4,000 metres of additional drilling as a new option commitment. The additional drilling will test several geochemical (till) anomalies, as well as follow-up holes on positive results from the recently completed 2022 drilling program. All other material terms of the Eldorado Option Agreement remain unchanged. Under the terms of the Eldorado Option, Eldorado has the right to require Sparton to participate in a new joint-venture in which Sparton will hold a 25%

interest, or buy-out Sparton's 25% interest for $1.8 million adjusted for the Consumer Price Index at the time Eldorado makes the election, in which case Sparton will be granted a 2% Net Smelter Return Production Royalty ("NSR"), and 50% of the NSR can be purchased by Eldorado for $2.5 million at any time. Eldorado would also be responsible for the royalty payable to the original vendors under the buy-out option if it elects the buy-out.

Sir Harry Oakes Gold Property, Canada

On September 25, 2019, the Company announced that it had secured an option to purchase a strategic gold prospect, comprising 3 Mining Leases (the "Leases") in the Matachewan gold mining area of northern Ontario. In addition, the Company also acquired through staking and acquisition an additional total of 14 Mining Claim Units (approximately 300 hectares) adjacent to the area of the Mining Leases (the "Claims").

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

The acquisition closed in early January 2020, after a 90-day due diligence period and after receipt of approval from the Toronto Venture Exchange. The Company issued 100,000 common shares of the Company to the former owner on January 6, 2020, as the first option payment.

On February 11, 2020, the Company announced it had executed a Purchase Agreement with two owners to acquire an additional 14 mining claims (approximately 300 hectares) adjacent to three nearby and former Sir Harry Oakes Mining Leases and mineral claims. For the purchase, on closing, Sparton agreed to pay a total of 2,000,000 common shares of the Company as to 1,000,000 shares to each of the owners. In addition, the owners will be eligible to receive a 2% Net Smelter Return Production Royalty from any production on their vended claims and 50% of this royalty may be purchased by the Company at any time for the sum of US$2.5 million. One claim owner will be reimbursed exploration expenses of approximately $6,850 spent on its claims. This transaction closed on March 17, 2020.

On July 6, 2020 the Company announced that it has acquired 18 additional mining claim units adjacent to or nearby to the Oakes Mining Leases for a cash consideration ($6,000). In October 2020 the Company issued 100,000 common shares to the Vendor of the Oakes area Mining Leases, as per the terms of the original Option Agreement to acquire these leases, that were valued at $6,000. In November 2020, 50,000 more common shares were issued to the Vendor, and valued at $3,000.

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

On September 4, 2020, the Company received a work permit for the project and commenced a drill program on the project on October 19, 2020.

The plan was permitted for a total of 10 holes to be drilled, from 5 locations, designed to establish approximately 300 meters of strike length of the zones reported from the 1930's historical data. Three of the initial sites duplicated the locations of historical holes DDH 2A, 3 and 5, drilled in the 1930s, each of which successfully intersected reported gold mineralization. The mineralized area near the shaft and the previously drilled area corresponds with a structure defined by a distinct magnetic low, highlighted in the Company magnetic survey, completed earlier in 2020.

All operations were undertaken with proper COVID-19 protocols in place.

Effective May 12, 2021 Sparton signed an evaluation agreement for one year to review and assess the exploration potential of a former producing copper and molybdenum mine property adjacent to the Company Matachewan / Oakes project claims and leases.

The Company now controls 46 Mining Claims and 3 Mining Leases in the Matachewan Gold Area.

The drill program on the Sir Harry Oakes Gold Project was permitted for 2000 meters. A 3 km access road was completed and drill site locations set out with proper environmental guidelines and setbacks from the nearby lake.

In early 2022 a 3D IP survey was completed over the central part of the claim area. This work outlined 5 high priority anomalies only one of which has been drill tested (the old Oakes shaft area). A new work permit application is in place for several claims covering two of these anomalies and approval is expected prior to year-end 2022.

2020 Drill Program

A total of 6 core holes comprising a total of approximately 700 meters were diamond drilled at the sites of historical holes numbered DDH 2A, DDH 3 and DDH 5. (Please see Sparton news release dated October 19th, 2020). All holes, except number 6, were drilled to the end of visible mineralization or alteration and ended in fresh rock material. The historical holes were only drilled to approximately 30 to 40 meter depths at minus 45 degree angles. The drilling was designed to essentially duplicate the historical holes by drilling a minus 50 degree dip hole and a steeper hole (minus 65 degrees) underneath from the same setup.

Assay results were slow in coming due to Covid 19 delays and extremely high laboratory work loads. Over 450 samples were submitted for precious metal and multi element analyses.

Holes DDH 20-1 and 20-2 were drilled east of the old shaft at the site of historical hole DDH 2A, which reported a zone of 5.5 grams per tonne over 5.53 metres. Holes DDH 20-3 and 20-4 were drilled at the site of historical hole DDH 3, which reported intersections of 8.23 grams per tonne over 1.5 metres, and 14.4 grams per tonne over 0.9 metres. Current holes DDH 20-5 and 20-6 were located at the site of historical hole DDH 5 which reported which 6.85 grams per tonne over 1.85 metres, 3.77 grams per tonne over 1.49 metres, and 3.43 grams per tonne over 0.61 metres; Please see Sparton news release dated September 16, 2020, and historical maps on the Sparton website at www.spartonresources.com.

CAUTIONARY NOTE

It should be noted that historical results reported here and earlier, by the Company are included with the recent drilling data results and were available to Sparton. Knowing the laboratories where the historical analyses were done, the Company believed the historical data to be reliable and has reviewed them in detail to attempt to determine the discrepancies with the current results. More work needs to be done however, to verify these historical results and information and provide an explanation the reason for the differences with the current results.

Further, a qualified person under NI 43-101 has not done sufficient work to verify the historical results with new sampling and analyses because the original samples and drill core are not available for re-analysis.

Oakes Assay Results

Drilling results from the Oakes Project were reported in March of 2021. All holes intersected significant sulfide mineralization (up to 40% pyrite with lesser chalcopyrite) and ubiquitous red hematite and grey magnetite alteration plus intense silicification. The host sedimentary rocks are strongly brecciated and contain multiple quartz stringers and veining up to 1 meter in core length often associated with zones of red to grey syenite and locally containing up to 20% chalcopyrite. Zones of multiple stage quartz veining and mineralization occur in the current drill holes at roughly the same intervals as reported in the shallow historical holes but significantly more mineralization is present deeper in the current holes, indicating a much larger mineralised structural zone over 50 meters in width. Several small fault zones were encountered in all holes and overall core recovery exceeded 95%.

All core was systematically logged with a susceptibility meter to attempt to correlate mineralized sections with magnetic or non–magnetic zones. As well, all the core was logged systematically with a scintillometer to check for anomalous radioactivity associated with potassium alteration which is characteristic of gold deposits in the area, including the nearby Young Davidson Mine.

The Oakes assay results were not consistent with the historical data. The best results received from the drilling are set out below:

Hole 20-1 - 0.31 grams/tonne ("g/t/") Au (gold) over 1.5 meters from 14.5 to 16 meters, roughly corresponding to the zone reported in historical hole 2A;

Hole 20-1 – 0.26 g/t Au over 1.5 meters from 58.5 to 60 meters;
Hole 20-1 – 1.91 g/t Ag (silver) over 6.5 meters from 67.5 to 74.0 meters;
Hole 20-3 – 0.14 g/t Au over 6 meters rom 4.5 to 10.5 meters and:
0.10 g/t Au and 1.12 g/t Ag over 4.5 meters from 31.0 to 35.5 meters and:
0.22 g/t Au over 1.5 meters from 56.0 to 57.5 meters and:
0.11 g/t Au, 1.2 g/t Ag and 0.09% Cu (copper) over 0.5 meters from 104.0 to 104.5 meters from Hole 20-4 drilled under the historical hole DDH 3 at -65 degrees.
Assay results were received from holes 4 and 5 and no significant gold values were reported.

Ongoing Work Program

The work planned for 2022 involves prospecting of the entire claim area surrounding the Oakes Leases and clearing and sampling of various trenches on the 46-claim property where gold values were reported by previous operators. A Geophysical IP (Induced Polarization) survey has been carried out. Similar work is being undertaken in the area of the former copper mine This work began in late 2021 after Covid 19 and contractor availability delays.

On May 6, 2022 the Company reported on the results of the Induced Polarization ("IP") survey recently completed over the central portion of the Oakes Gold Project Property. The IP survey was completed by CXS (Canadian Exploration Services) of Larder Lake, Ontario. It utilized a 3-D Distributed Induced Polarization system with wireless data acquisition and multiple layer data presentation. This system has less impact on the environment, as it reduces the amount of line cutting necessary and was also useful in getting data from underneath the lake, which bisects the survey area. Data are presented as both resistivity and chargeability information at 50-meter vertical intervals, beginning at surface and extending to different depths below surface. This information can provide a 3-dimensional interpretation of the bodies causing the anomalies. Normally, higher chargeability zones are related to metallic minerals in the host rocks and areas of higher resistivity may be related to silicification often associated with gold mineralization. The results indicate five (5) significantly anomalous areas, (please see maps and explanatory video on Company website www.spartonresources.com). One of these (Anomaly "D") is directly associated with a mineralized area adjacent to Hawley Lake, near the old "Oakes" shaft, where Sparton drilled several holes in late 2020. All holes were mineralized with pyrite, magnetite and hematite and locally intersected quartz veins and intense silicification. Anomalous values in silver, copper and gold were reported from these drill holes. The mineralization occurs in brecciated sediments and syenite porphyry. (See Company News Release dated March 19th, 2021). Syenite porphyry is one of the main host rocks for gold mineralization at the Alamos Young Davidson Mine. The other IP chargeability anomalies have never been tested with trenching or drilling and were unknown until the results of this survey. At least two of them, (anomalies "C" and "E") appear to be associated with syenite porphyry rocks on the west side of Hawley Lake. Only a very small portion of Anomaly "D" near the old shaft was tested by the 2020 drill program. Based on these results, Sparton plans to undertake a trenching program to attempt to expose the sources for the new IP chargeability anomalies. This work is expected to begin later this summer once amendments to the existing work permit have been approved by the Ontario Government. Positive results from the trenching will be followed up with a new drilling program.

The Company reported on December 13, 2022 that it has received an exploration permit from the Ontario Ministry of Natural Resources to allow up to 2,000 meters of drilling, and overburden stripping and sampling on claims west of Hawley Lake, Ontario, adjacent to where the old Oakes Syndicate supported shaft is located, and Sparton focused it past work. These claims were not part of the original property package and contain a number of high priority induced polarization ("IP") anomalies located in Sparton's earlier work programs. These are associated with syenite Porphyry intrusive rocks which host both gold and base metal mineralization in the area. Testing them will be part of the Company's planned 2023 exploration work.

Pense Property

On November 3, 2022, the Company announced that it entered into an option agreement with three independent prospectors (collectively, the "Vendors") to explore the 39 claim (865 hectare) Pense Property ("the Property") in Pense Township, Ontario. The claims are located near the Quebec provincial border, approximately 25 kilometers east of Englehart, Ontario, in the Larder Lake Mining Division.

Under the terms of the 3-year option agreement, Sparton will issue a total of 400,000 common shares, incur a total of $250,000 in exploration expenditures on the Property, and make cash payments totaling $175,000 over the 3- year period, to earn a 100% interest in the Property, detailed as follows:

Upon Receipt of Regulatory Approval: a cash payment of $25,000, issuance of a total of 100,000 common shares (issued) to the Vendors, and a commitment to incur exploration expenditures of $50,000 in first year.

In Year 2: Cash payment of $50,000, 150,000 common shares to be issued to the Vendors, and exploration expenditures of $100,000. (Optional) In Year 3: Cash payment of $100,000, 150,000 common shares to be issued to the Vendors, and exploration expenditures of $300,000. (Optional)

Production Royalty: If commercial production takes place on the Pense Property, the Vendors, will be entitled to receive an annual production royalty (the “Royalty”) equal to 2% of Net Smelter Returns, as customarily defined. At any time after a feasibility study is completed for development of any part of the Property, ½ of this Royalty (or 1%) may be purchased by the Company for the sum of $2,000,000. The Company will also have a right of first refusal to purchase the remaining 1% NSR Royalty.

All cash payments, share issuances and royalty payments, if any, will be paid or issued as to 33.333% of the totals to each vendor.

On November 3, 2022 the Company announced that it has entered into an option agreement with three independent prospectors (collectively, the “Vendors”) to explore the 39 claim (865 hectare) Pense Polymetallic Mineral Property (“the Property”) in Pense Township, Ontario. Geophysical surveys, and possibly drilling are planned for Pense in 2023.

VRB Energy

On March 15, 2021 VRB Energy announced a major new agreement for flow battery manufacturing and related activities. This included an agreement for China’s largest solar battery; a 100MW solar & storage project in Hubei Province. The framework agreement also included provision for a ‘Gigafactory’ manufacturing facility and vanadium flow battery R&D institute.

VRB Energy Chairman Robert Friedland and Chief Executive Officer Dr. Mianyan Huang announced this framework agreement for the 100 megawatt (MW) solar photovoltaic (PV) and 100MW / 500MWh vanadium flow battery integrated power station project located in Xiangyang, Hubei Province.

The agreement was signed by the Xiangyang Municipal Government, Hubei Pingfan New Energy, the Xiangyang High-tech State-owned Capital Investment and Operation Group, and VRB Energy at a ceremony on March 4th. The initial 40MW / 200MWh VRB-ESS® and 50MW per annum of manufacturing started construction in 2021.

"This project is a massive catalyst for VRB Energy's global growth and further demonstrates that we are developing the absolute best technologies to support the worldwide green energy revolution," said Mr. Friedland.

“Energy storage remains a key challenge in the mass adoption of renewable energy, and we're extremely proud to be leading the way in creating cutting-edge solutions at VRB,” Mr. Friedland added.

The project builds upon the success of a “PV+VRB” project of 3MW PV and 3MW / 12MWh VRB-ESS® in Xiangyang executed with Pingfan New Energy in 2019, which further validates the business model and the technology as ideally suited for integration of the daily cycling of solar PV onto utility grids.

Dr. Huang noted that Hubei Province has rich mineral resources, outstanding industrial advantages, and an excellent business environment.

“This presents a unique opportunity for scale-up of the vanadium flow battery industry, and we applaud the government’s plans to support development of a US$14 billion world-leading vanadium energy storage industry cluster,” Dr. Huang commented.”

On June 25, 2021, Chinese Media Group “Caixing” and UK based “Energy Storage Publishing” reported that “China is on the verge of banning the use of second-life lithium-ion batteries in large-scale energy storage systems amid a spate of fires this year”.

On July 2, 2021, VRB Energy announced an investment of US$24 million by BCPG PLC – a Thailand-based public company and developer and owner of renewable energy projects in Asia-Pacific region, with 900 megawatts (MW) in operating and a pipeline of over 2,200MW, across Southeast Asia, Japan and Australia.

On July 14, 2021 Sparton reported that VRB Energy's vanadium redox battery system has been selected for national evaluation in China.

In 2022 VRB Energy also tendered a contract to increase the 100 megawatt project for Hubei Province to 500 megawatts. The timing of awarding this contract was deferred until the new year, 2023 due to slowdowns related to the Covid 19 pandemic in PRC in 2022.

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. This is part of the Scotia Offshore Energy Project ("SOEP"). SOEP gas production was terminated in 2018 by the operator Exxon-Mobil.

These include SDL 2286, part of the Chebucto gas 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.

There were no other new developments with Chebucto during the periods in 2021 and 2022. In 2013, the Company had re-assessed the value of the oil and gas properties and concluded an impairment of $553,914 and written down the value of the properties to $1 due to the continuing low price of natural gas.

Financial Highlights

Results of Continuing Operations

For the year ended December 31, 2022

The net loss from continuing operation for the year in 2022 was $353,387 compared to $360,374 for the year 2021. The Company's contract drilling subsidiary, EDCOR, recorded $1,141,865 revenue in the year 2022 (2021 - $470,768). Operating expenses from continuing operations totalled $1,492,807 in 2022 (2021 - $813,933). Main operating expenses include $808,820 drilling costs (2021 - $414,585), $350,096 exploration expenditures (2021 – $121,664), $111,653 stock-based compensations (2021 - $87,054), $72,918 (2021 - $54,222) general and administrative expenses, $50,692 (2021 - $36,000) management and consulting fees, $47,016 (2021 - $34,890) professional fees, $4,389 (2021 - $2,575) interests, $18,000 (2021 - $18,000) occupancy costs, $23,850 (2021 - $34,048) transfer agent filing and listing fees, and other expenses. The Company also recorded a $4,821 unrealized loss (2021 – $7,366 gain) from investment. Loss per share for the year basic and diluted was $0.00 (2021 - $0.00). Cash flow from operating activities showed net cash outflow of $155,134 (2021 – $296,300) for the year ended December 31, 2022.

During the year 2022, the Company reported cash used for investing activities of $68,757 (2021 - $48,654) for purchase of mining exploration equipment.

During the year ended December 31, 2022, the Company reported a total cash flow used in financing activities of $68,000 (2021 – cash from financing of $478,561). In the year 2022, the Company raised $88,000 through private placements, paid short term debt of principal of $20,000 (2021 - $180,000), raised $nil (2021 - $598,561) from share issuance to exercise of warrants and options and $nil (2021 - $60,000) from loans payable.

Quarterly Information

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

	Dec 31, 2022	Sept 30, 2022	June 30, 2022	Mar 31, 2022	Dec 31, 2021	Sept 30, 2021	September 30, 2021	Mar 31, 2021
Operating Revenue ($)	462,835	247,500	289,785	141,745	255,102	105,090	2,841	107,735
Total Net (Income) Loss ($)	(122,498)	189,712	78,023	208,150	21,436	215,370	82,637	40,931
Basic and Diluted Loss (gain) Per Share ($)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Liquidity and Financial Condition

As at December 31, 2022, Sparton had a liquidity concern. It had current assets of $258,690 (December 31, 2021 - $378,843), and a working capital deficit of $356,008 (December 31, 2021 - $174,229). Cash and marketable securities totalled $85,392 (December 31, 2021 - $246,105). Amount receivables were $161,834 (December 31, 2021 - $122,568). Property, plant and equipment assets were $97,183 at December 31, 2022 (December 31, 2021 - $50,505). Long term investment in VRB valued at $1,587,133 (December 31, 2021 - $1,493,856). Current liabilities totalled $614,698 at December 31, 2022 (December 31, 2021 - $553,072). Included in the current liability were $149,382 (December 31, 2021 - $90,601) accounts payable and accrued liabilities, $224,078 (December 31, 2021 - $241,001) of short-term debts, and $241,238 (December 31, 2021 - $221,470) due to related parties.

As at December 31, 2022 there was a short-term loan of $52,000 (December 31, 2021 - $52,000) bearing an annual interest of 6% payable on a quarterly basis in arrears, unsecured, and due on demand. $100,000 principal was repaid in 2021. As at December 31, 2022, there was $142,078 (December 31, 2021 -$139,001) interest payable accrued for this loan.

The Company had interest free government subsidy loans (CEBA) payable with a future payment of $30,000 as at December 31, 2022 that is due on demand and will be repaid within the year 2023.

Its subsidiary EDCOR also had an interest free loan (CEBA) at carrying amount of $nil (2021 - $20,000) as of December 31, 2022 that was repaid in the year ended December 31, 2022.

Non-controlling interests representing carrying value of the share interest held by minority shareholders in Sparton's subsidiary VanSpar was $350,554 as of December 31, 2022 ($345,161 as at December 31, 2021).

Capital Management:

The Company is not subject to any capital requirements by a lending institution or regulatory body, other than the TSX Venture Exchange ("TSX-V") which requires adequate working capital or financial resources of the greater of a) $50,000 and b) the amount required to maintain operations and cover general and administrative expenses for a year of 6 months. As of April 28, 2023, the Company is compliant with this policy of the TSX-V.

Outstanding Share Data

Sparton's authorized capital consists of an unlimited number of common shares without par value. As at the date of this MD&A, there were 148,341,537 common shares issued and outstanding.

As of the date of this MDA, there are 3,400,000 share options and 50,000 warrants outstanding.

Related Party Transactions

The Company's related parties consist of the following:

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

	December 31, 2022	December 31, 2021
Due to related parties	$	$
Consulting fees payable to Oriental Sources Inc. (i)	132,288	135,678
Rent and fees payable to Lee Barker (i)	108,950	85,792
Total	241,238	221,470

(i) During the year 2022, $18,000 (2021 - $18,000) office space rent expenses were accrued for property owned by the President of the Company. The Company was also billed and paid $36,000 plus HST (2021 - $36,000) by Oriental Sources Inc., a company controlled by the CFO of the Company for consulting fees which were recorded as management and consulting fees on the consolidated statement of loss.

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

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

	2022	2021
Salaries, consultant fees and other benefits	$ 36,000	$ 36,000
Share based payments	78,571	61,260
	$ 114,571	$ 97,260

New accounting policies:

Standards, amendments, and interpretations Issued but not yet adopted

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

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

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

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

Critical Accounting Estimates and Judgements:

The preparation of financial statements requires management to make estimates and judgments about the future. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Accounting estimates will, by definition, seldom equal the actual results. The following discussion sets forth management's:

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

Please refer to Note 3 to the December 31, 2022 audited consolidated financial statements for the critical accounting estimates and judgements used by management for the financial statements.

Financial instruments and risk factors

The Company's current major projects are the Chebucto, offshore Nova Scotia, natural gas license, the nearby North Triumph license, the Bruell property, and the Sir Harry Oakes Mining property and the new Pense Polymetallic Project. Unless the Company acquires or develops additional project, the Company will be mainly dependent upon these projects. If no additional major mineral related assets are acquired by the Company, any adverse development affecting these assets 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 in the Note 4 to the December 31, 2022 audited consolidated financial statements. There have been no changes in the risks, objectives, policies and procedures from the previous period.

Please refer to the Note 4 to the December 31, 2022 audited consolidated financial statements of the Company for the discussions on the financial instruments the Company holds, and the risk factors and analysis.

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 that 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 consolidated financial statements and related MD&A is delegated by the Directors to the Audit Committee, which is comprised of three directors, two 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 management 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 Company is filed electronically at www.sedar.com and on the Company's website at www.spartonres.ca.

Outlook

One of the challenges for clean electricity (wind and solar) is storage. The energy storage industry has now become a significant growth business with installations of clean electricity generation systems around the world. China has been particularly aggressive in this program with its movement to reduce pollution from its fossil fuel power plants. The best solution for power storage and grid distribution on a large scale appears to be the vanadium redox battery. Through Sparton's interest in vanadium, the Company's subsidiaries have been provided with the opportunity to be a participant in this exciting nascent global market. Recent China Central government policy statements are both encouraging and mandating the use of vanadium flow batteries in China and the VRB Energy business is expected to grow now that vanadium prices have moved to levels that make vanadium flow batteries competitive with systems such as lithium.

It is anticipated that new contracts for storage systems will be forthcoming both in China and internationally. VRB Energy is actively pursuing new sales opportunities and economical sources of vanadium both inside and outside of China.

Mineral exploration and mining objectives continue to be the focus of the Company's long-term plans as well as the ongoing search for other resource opportunities. With an emphasis on gold as a priority exploration target Sparton has recognized that, with the current economic situation and Covid-19 influence on the world economy, quality gold projects represent the best opportunity for financing and development.

The positive results achieved at Bruell during 2019 generated interest by Eldorado Gold to invest in the project as a joint venture partner, and post the Covid-19 Quebec exploration lockdown new geophysical surveys, geochemical sampling and possibly 8,000 drilling are planned there by Eldorado for 2023.

By selecting projects near producing gold mines, the Company, if successful in locating new resources, has the potential for strong nearby partners to support additional exploration and development. With the ongoing Canada / US dollar exchange rate very favorable for domestic gold producers the Company believes that seeking viable precious metals projects in Canada will continue to be its focus. The agreement with Eldorado

Gold for Bruell in the Val d'Or area of Quebec (nearby Lamaque Mine) and acquisition of the Oakes mining leases near Alamos Golds' Young Davidson Mine near Matachewan Ontario are examples of this Company strategy.

New financing initiatives to support all of these activities are being pursued by Company management on an ongoing basis. In a continuing depressed market for junior resource companies, Sparton has instituted significant cost-cutting measures and is actively seeking new clients for its drilling subsidiary, EDCOR, as a source of revenue.

New project opportunities are also becoming available as competitors struggle to raise financing and these are also being evaluated.

SPARTON RESOURCES INC.

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2022 and 2021

(Expressed in Canadian dollars)

SPARTON RESOURCES INC.

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2022 and 2021
(Expressed in Canadian dollars)

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INDEPENDENT AUDITOR'S REPORT

To the shareholders of **Sparton Resources Inc.**

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying financial statements of **Sparton Resources Inc.** and its subsidiaries (the "Corporation"), which comprise of the consolidated statements of financial position as at **December 31, 2022** and **December 31, 2021**, and the statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation as at **December 31, 2022** and **December 31, 2021**, and its consolidated financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

Without qualifying our audit opinion, we draw attention to Note 1 in the consolidated financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Corporation's ability to continue as a going concern.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis
- The information, other than the consolidated financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Sadik Najarali.

NVS Professional Corporation

NVS Professional Corporation
Chartered Professional Accountants
Authorized to practise public accounting by
Chartered Professional Accountants of Ontario

Markham, Ontario
April 28, 2023

SPARTON RESOURCES INC.

Consolidated Statements of Financial Position
As at December 31, 2022 and 2021
(Expressed in Canadian dollars)

	Notes	December 31, 2022	December 31, 2021
Assets			
Current assets			
Cash		80,556	236,447
Amounts receivable		161,834	122,568
Prepaid expenses and other current assets		11,464	10,170
Marketable securities		4,836	9,658
Total current assets		258,690	378,843
Property, plant and equipment	5	97,183	50,505
Long-term investment	12	1,587,133	1,493,856
Total assets		1,943,006	1,923,204

See accompanying notes to the consolidated financial statements.

SPARTON RESOURCES INC.

Consolidated Statements of Financial Position
As at December 31, 2022 and 2021
(Expressed in Canadian dollars)

	Notes	December 31, 2022	December 31, 2021
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		149,382	90,601
Due to related parties	9	241,238	221,470
Loans payable	7	224,078	241,001
Total current liabilities		614,698	553,072
Total liabilities		614,698	553,072
Equity			
Common shares	8(a)	19,679,721	19,592,721
Warrants	8(c)	22,259	2,635
Contributed surplus	8(a)	354,018	350,083
Share-based payment reserve	8(b)	237,689	126,036
Accumulated other comprehensive income		673,875	589,917
Deficit		(19,989,808)	(19,636,421)
Equity attributable to shareholders		977,754	1,024,971
Non-controlling interests		350,554	345,161
Total equity		1,328,308	1,370,132
Total liabilities and equity		1,943,006	1,923,204

Nature of operations and going concern (Note 1)
Commitments and contingencies (Note 10)

Signed: "Richard Williams", Director

Signed: "A. Lee Barker", Director

See accompanying notes to the consolidated financial statements

SPARTON RESOURCES INC.

Consolidated Statement of Loss
For the years ended December 31, 2022 and 2021
(Expressed in Canadian dollars, except for per share amount)

	Notes	2022	2021
		$	$
Drilling revenue		1,141,865	470,768
Drilling costs		(808,820)	(414,585)
Gross profit		333,045	56,183
Expenses			
Exploring and evaluating expenditures	6	350,096	121,664
General and administrative expenses	9	72,918	54,222
Stock compensation expense	8	111,653	87,054
Investor relations		4,389	2,575
Management and consultant fees	9	50,692	36,000
Professional fees		47,016	34,890
Occupancy costs	9	18,000	18,000
Transfer agent, filing and listing fees		23,850	34,048
Interest expense and financing costs		5,373	10,624
Foreign exchange (gain) loss		-	271
		683,987	399,348
Loss before other income		(350,942)	(343,165)
Investment (loss) gain		(4,821)	7,366
Other expenses		-	(24,575)
		(355,763)	(360,374)
Income tax expenses recovery		2,376	-
Net loss		(353,387)	(360,374)
Net loss per share, basic and diluted		(0.00)	(0.00)
Weighted average number of shares outstanding			
Basic and diluted		147,039,071	142,965,924
Net loss attributed to			
Non-controlling interests		-	(121)
Shareholders of the Company		(353,387)	(360,253)
		(353,387)	(360,374)

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Comprehensive Loss
For the years ended December 31, 2022 and 2021
(Expressed in Canadian dollars)

	Notes	2022	2021
		$	$
Net loss for the period		(353,387)	(360,374)
Other comprehensive income loss			
Items that will be reclassified subsequently to income			
Valuation of available for sale investment	12	93,277	4,446
Gain (loss) on translation of foreign operations		9	58
		(260,101)	(355,870)
Comprehensive loss attributed to			
Non-controlling interests		9,328	(121)
Shareholders of the Company		(269,429)	(355,749)
		(260,101)	(355,870)

See accompanying notes to the consolidated financial statements

SPARTON RESOURCES INC.

Consolidated Statements of Changes in Equity

(Expressed in Canadian dollars, except shares)

	Notes	Common shares Shares	Amount	Warrants	Contributed surplus	Share-based payment reserve	Accumulated other comprehensive Income (loss)	Deficit	Subtotal shareholders' equity	Non-controlling interests	Total equity
			$	$	$	$	$	$	$	$	$
Balance at December 31, 2020		**139,455,923**	**18,672,054**	**161,239**	**350,083**	**150,358**	**585,413**	**(19,279,042)**	**640,105**	**345,282**	**985,387**
Net loss for the period		-	-			-	-	(360,253)	(360,253)	(121)	(360,374)
Issuance of options	8(a)	-	-	-	-	87,054	-	-	87,054	-	87,054
Exercise of warrants	8(a)	4,985,614	654,291	(155,730)	-	-	-	-	498,561	-	498,561
Exercise of options	8(a)	2,000,000	211,376	-	-	(111,376)	-	-	100,000	-	100,000
Share issue costs	8(a)	-	-	(2,874)	-	-	-	2,874	-	-	-
Shares issued for property	8(a)	500,000	55,000	-	-	-	-	-	55,000	-	55,000
Valuation of available for sale investment		-	-	-	-	-	4,446	-	4,446	-	4,446
Translation of foreign operations		-	-	-	-	-	58	-	58	-	58
Balance at December 31, 2021		**146,941,537**	**19,592,721**	**2,635**	**350,083**	**126,036**	**589,917**	**(19,636,421)**	**1,024,971**	**345,161**	**1,370,132**
Net loss for the period		-	-			-	-	(353,387)	(353,387)	-	(353,387)
Vesting of options	8(a)	-	-	-	-	111,653	-	-	111,653	-	111,653
Minority interest cancelled	8(a)	-	-	-	3,935	-	-	-	3,935	(3,935)	-
Shares and warrants issued for cash	8(a)	1,100,000	66,000	19,624	-	-	-	-	85,624	-	85,624
Shares issued for property	8(a)	300,000	21,000	-	-	-	-	-	21,000	-	21,000
Valuation of available for sale investment		-	-	-	-	-	83,949	-	83,949	9,328	93,277
Translation of foreign operations		-	-	-	-	-	9	-	9	-	9
Balance at December 31, 2022		**148,341,537**	**19,679,721**	**22,259**	**354,018**	**237,689**	**673,875**	**(19,989,808)**	**977,754**	**350,554**	**1,328,308**

See accompanying notes to the consolidated financial statements.

SPARTON RESOURCES INC.

Consolidated Statements of Cash Flows
For the years ended December 31, 2022 and 2021
(Expressed in Canadian dollars)

	Notes	2022	2021
		$	$
Operating activities			
Net loss		(353,387)	(360,374)
Items not involving cash			
Share based payments		111,653	87,054
Amortization of property, plant and equipment		22,079	9,149
Issuance of shares and warrants for property		31,000	55,000
Accrued interest expense		5,373	10,624
Foreign exchange loss		-	271
Loss (gain) on investment		4,821	(7,366)
		(178,461)	(205,642)
Changes in non-cash working capital		23,327	(90,658)
		(155,134)	(296,300)
Investing activities			
Purchase of property, plant and equipment		(68,757)	(48,654)
		(68,757)	(48,654)
Financing activities			
Shares issued for cash		88,000	-
Shares issued on exercise of warrants and options		-	598,561
Repayment of loans payable	7	(20,000)	(180,000)
Proceeds from loans payable	7	-	60,000
		68,000	478,561
Decrease in cash		(155,891)	133,607
Cash, beginning of year		236,447	102,840
Cash, end of year		80,556	236,447

See accompanying notes to the consolidated financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

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

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

The Company has completed initial exploration drilling programs on its Ontario and Quebec, Canada, gold projects. The Company continues to evaluate and seek new domestic and international exploration opportunities.

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and have to realize its assets and liquidate its liabilities and commitments at amounts different from those in the accompanying consolidated financial statements. These adjustments could be material.

Management is pursuing initiatives intended to address the current working capital deficiency. As at December 31, 2022, the Company had a working capital deficiency of $356,008 (2021 - $174,229) and a deficit of $19,989,808 (2021 - $19,636,421). Due to the continuing operating losses, the Company’s ability to continue as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operations. The Company has an available investment that is carried on the books at a value of $1,587,133 as of December 31, 2022. Should the Company be able to liquidate this investment at the carried value or more, the Company should be able to meet its financial obligations and continue operations in the near future. Management believes it will be successful in obtaining the necessary funding to continue operations in the normal course of operations; however, there is no assurance that these funds will be available on terms acceptable to the Company. These conditions indicate the existence of material uncertainties that may cast significant doubt on the Company’s ability to continue as a going concern.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance:

These consolidated financial statements of the Company and its subsidiaries were prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standard Board (“IASB”), and the IFRS Interpretations Committee (formerly “IFRIC”). These accounting policies are based on the IFRS standards and IFRIC interpretations that are expected to be applicable at December 31, 2022. These consolidated financial statements were approved by the board of directors of the Company on April 28, 2023.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Basis of Consolidation:

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

Entity	Incorporation	Ownership December 31, 2022	Ownership December 31, 2021
EDCOR Drilling Services Inc.	Canada	100.00%	100.00%
Sparton International Holdings Inc.	BVI	100.00%	100.00%
VanSpar Mining Inc.	BVI	90.00%	87.46%

As at December 31, 2022 the Company wholly owned EDCOR Drilling Services Inc. ("EDCOR") and Sparton International Holdings Inc. ("SIH"). During the year, SIH's ownership in VanSpar increased from 87.46% to 90%, due to cancellation of shares owned by minority shareholders.

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

Intercompany transactions and balances between subsidiaries are eliminated upon consolidation.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition:

Revenue is measured at the fair value of the consideration received or receivable.

Revenue from drilling services is recognized when the services are provided, the amount of revenue can be measured reliably, the receipt of economic benefits is probable and costs incurred and expected to be incurred can be measured reliably.

Property, Plant and Equipment and Amortization:

Property, plant and equipment include automobiles, drilling equipment and office equipment. Property, plant and equipment are carried at cost, less accumulated amortization and accumulated impairment losses. Costs comprise the fair value of consideration given to acquire or construct an asset. These costs include the direct charges associated with bringing the asset to the location and condition necessary for it to be capable of operating along with the future cost of dismantling and removing the asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Amortization of these assets commences when the assets are ready for their intended use. Amortization of property, plant and equipment is the costs of the assets less their residual values over their estimated useful lives using the straight-line method. The estimated useful lives, residual values and amortization method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. Depreciation is recorded as follows:

Mining plant equipment	Straight line over 5 years
Office equipment	Straight line over 10 years
Automobile	Straight line over 5 years

Exploration and evaluation expenditures:

The Company expenses exploration and evaluation expenditures as incurred. Exploration and evaluation expenditures include acquisition costs of mineral properties, property option payments and evaluation activities.

Once a project has been established as commercially viable and technically feasible, related development expenditure will be capitalized. This includes costs incurred in preparing the site for mining operations. Capitalization ceases when the mine is capable of commercial production, with the exception of development costs that give rise to a future benefit. If an exploration property is disposed of any, consideration is reflected as a gain on disposition.

Impairment of Non-financial Assets:

Non-financial assets with finite lives are tested for impairment when events or changes in circumstances indicate that their carrying amounts may not be recoverable. In addition, non-current assets that are not amortized are subject to an annual impairment assessment. Any impairment loss is recognized, for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost of disposal and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows ("cash-generating units" or "CGUs"). The Company evaluates impairment losses for potential reversals, other than goodwill impairment, when events or changes in circumstances warrant such consideration. There was no impairment reversal during the years 2021 and 2022.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Marketable Securities:

Publicly-traded investments:
Securities, including shares, options and warrants which are traded in an active market, such as on a recognized securities exchange where no sales restrictions apply, are presented at fair value based on quoted closing trade prices at the consolidated statement of financial position date or the closing trade price on the last day the security traded if there were no trades on the consolidated statement of financial position date. These are included in Level 1 in Note 4.

Share-based Payments:

The Company operates a number of equity-settled share-based payment plans where the Company receives services from employees and non-employees as consideration for equity instruments of the Company, or paying obligations for property acquisitions with the equity instruments of the Company.

Share-based payments to employees are measured at the fair value of the instruments issued at the grant date and amortized over their vesting periods. Share-based payments to non-employees are recorded at the date the goods or services are received and are measured at the fair value of the goods or services received or the fair value of the equity instrument issued, if it is determined that the fair value of the goods or services received cannot be reliably measured.

Non-market vesting conditions are considered in making assumptions about the number of awards that are expected to vest. The expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are satisfied. For awards with graded vesting, the fair value of each tranche is recognized over its respective vesting year. The offset to the recorded cost is to common shares, warrants, or share-based payment reserve. Considerations received on the exercise of warrants and stock options are recorded as common shares and the related value of warrants or share-based payment reserve is transferred to common shares.

At each statement of financial position date, the Company reassesses its estimates of the number of awards that are expected to vest and recognizes the impact of any revision in the consolidated statement of (loss) with a corresponding adjustment to equity or liabilities as appropriate.

Other Provisions:

Provisions represent liabilities to the Company for which the amount or timing is uncertain. Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Provisions are re-measured at each statement of financial position date using the current discount rate. The increase in the provision due to passage of time is recognized as a finance cost.

Income (Loss) Per Share:

Basic income (loss) per share is calculated by dividing the net income (loss) by the weighted average number of common shares outstanding during the year. In order to determine diluted loss per share, the proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the year, with the incremental number of shares being included in the denominator of the diluted income (loss) per share calculation. The diluted income (loss) per share calculation excludes any potential conversion of options and warrants that would decrease the income (loss) per share.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Short-term Debt:

Short-term debt is recognized initially at fair value, net of transaction costs incurred. Debt is classified as a current liability unless the Company has an unconditional right to defer settlement for at least 12 months after the statement of financial position date. Subsequent to the initial measurement, debt will be accreted up to its face value over the duration of the debt.

Units Issuance:

From time to time, the Company may issue Units as a means of raising capital. Ordinarily, each Unit contains one common share of the Company and a whole, or fraction of, a share purchase warrant. The Company allocates the proceeds from each unit to the common share and warrant components based on their relative fair value using the Black-Scholes pricing model. Transaction costs arising on the issue of Units are recognized in equity as a reduction of the proceeds allocated to issued capital and warrants on a pro-rata basis.

Flow-through Shares:

Canadian tax legislation permits a company to issue flow-through shares whereby the deduction for tax purposes relating to qualified resource expenditures is claimed by the investors rather than the Company.

The Company may enter into flow-through share agreements whereby the Company agrees to transfer the rights to income tax deductions related to exploration expenditures to the flow-through shareholders. The premium, if any, paid for flow-through shares in excess of the market value of the shares without the flow-through features at the time of issuance is excluded from share capital and recorded as a flow- through share premium liability on the consolidated statement of financial position. The Company reduces its flow-through share premium on renunciation.

When the Company fulfills its obligation to pass on the tax deduction to the shareholders, the amount recorded as un-renounced flow-through share premium is recognized as deferred income taxes in the consolidated statement of loss and a deferred tax liability is recognized for the temporary tax difference. If the renouncement is prospective, the obligation is fulfilled when eligible expenditures are incurred. If the renouncement is retrospective, the obligation is fulfilled when the paperwork to renounce is filed.

Impairment of Financial Assets:

The Company assesses at each period end date whether there are indications that a financial asset is impaired.

If there is objective evidence that an impairment loss on financial assets carried at amortized cost has occurred the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is then reduced by the amount of the impairment. The amount of the loss is recognized in the Statement of (Loss).

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized the previously recognized impairment loss is reversed to the extent that the carrying value of the financial asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in the Consolidated Statement of (Loss).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Translation of Foreign Currencies:

The consolidated financial statements are presented in Canadian dollars, which is the Company and its subsidiaries' presentation currency and functional currency.

The financial statements of each of the Company's subsidiaries are measured using the currency of the primary economic environment in which the subsidiary operates (the "functional currency"). Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions as well as from the translation of monetary assets and liabilities not denominated in the functional currency of the subsidiary are recognized in the consolidated statement of (loss).

Assets and liabilities of entities (“foreign operations”) with functional currencies other than Canadian dollars are translated to Canadian dollars at the year-end rates of exchange, and the results of their operations are translated at average rates of exchange for the year. The resulting translation adjustments are included in accumulated other comprehensive income in shareholders' equity.

Additionally, foreign exchange gains and losses related to certain intercompany loans that are part of a net investment in foreign operations are included in accumulated other comprehensive income.

References to “USD” are to U.S. dollars, references to “$” are to Canadian dollars.

Income Taxes:

Current income tax
Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in income or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax
Deferred income tax is provided using the balance sheet method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit; and

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled by the Company and it is probable that the temporary differences will not reverse in the foreseeable future.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognized deferred income tax assets are reassessed at the end of each reporting year and are recognized to the extent that it has become probable that future taxable profit will be available to allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting year.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Financial Instruments:

Equity instruments
Marketable securities equity instruments are measured at FVTPL. Changes in fair value are recognized in the consolidated statement of income (loss) for equity instruments measured at FVTPL. Investment available for sale (shares of VRB Energy Solutions Inc.) are measured at FVTOCI. Changes in fair value are recognized in the consolidated statement of other comprehensive income (loss) for equity instruments measured at FVTOCI with no subsequent recycling of gains and losses to net income.

Financial assets designated at FVTPL
Financial assets classified in this category are those that have been designated so by management on initial recognition or are held for trading purposes. Financial assets are designated at FVTPL if doing so eliminates or significantly reduces an accounting mismatch which would otherwise arise. Financial assets designated at FVTPL are recorded in the consolidated statement of financial position at fair value. For assets designated at FVTPL, changes in fair values are recognized in income in the consolidated statements of (loss).

Assets that are held for collection of contractual cash flows where those cash flows are solely payments of principal and interest are measured at amortized cost. Interest is calculated using the effective interest method and gains or losses arising from impairment, foreign exchange and derecognition are recognized in profit or loss. Based on this assessment management has determined that cash, restricted cash, amounts and other receivables are classified as amortized cost.

The Company does not have any hedge accounting relationships.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment
The Company applies the three-stage approach to measure allowance for credit losses, using the expected credit loss impairment approach as required under IFRS 9, for the following categories of financial instruments that are not measured at FVTPL: (i) financial assets at AMC; and (ii) off balance sheet loan commitments (which there are none). The Company has adopted the simplified approach for calculation of impairment for amounts and other receivables based on a provision matrix.

Derecognition
The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are recognized in the consolidated statements of (loss).

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statements of (loss).

The Company classifies its financial instruments by category according to their nature and their characteristics. Management determines the classification when the instruments are initially recognized, which is normally the date of the transaction. The Company classifies its financial assets and financial liabilities as outlined below:

Assets / liabilities	Category	Measurement
Assets		
Cash	FVTPL	Fair value
Accounts and other receivables	AMC	Amortized cost
Marketable securities	FVTPL	Fair value
Investment available for sale	FVTOCI	Fair value
Liabilities		
Bank indebtedness	FVTPL	Fair value
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Due to related parties	Other financial liabilities	Amortized cost
Short term debt	Other financial liabilities	Amortized cost

As permitted by IFRS 9 the Company has made an election to hold its investment in VRB Energy Solutions Inc. (Note12) as fair value through other comprehensive income (“FVTOCI”), with no subsequent recycling of gains and losses to net income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government grant

Government grants are recognized when there is reasonable assurance that the grant will be received and the Company will comply with the conditions. The grant is recognized as income over the period to match with the cost that it is intended to compensated. The government grant received by the Company is the Canada Emergency Business Account Loan ("CEBA"). Should the Company cease to comply with the conditions, the government grant would be reversed or derecognized.

Leases under IFRS 16

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease that conveys to the Company the right to control the use of an underlying asset in return for payment. If the contract meets the definition of a lease, the lease liability is recognized in an amount equal to the present value of the unpaid lease payments discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used. Lease payments include: (i) all fixed payments; (ii) variable payments that depend on an index or rate; and (iii) any purchase option or termination penalty reasonably certain to be incurred. A lease ROU asset is recognized in an amount equal to the lease liability less any lease incentives received and plus: (i) any payments made prior to the start of the lease; (ii) any initial direct costs incurred; and (iii) an estimate of the cost to restore the asset as required by the lease contract. The Company remeasures the lease liability in response to changes in future lease payments, such as consumer price index (CPI) escalations or changes in lease term, adjusting the lease asset by an equivalent amount. Depreciation starts at the commencement date of the lease.

The Company applies the cost model to subsequently measure lease ROU assets and applies the same impairment policy as other property and equipment. Lease ROU assets are depreciated over the period of the lease term.

The Company has leased an office space with a related party on a monthly basis without long term lease commitment. Therefore, no lease asset or liability has been recognized.

Amendments to IFRS that are mandatorily effective for the period:

The Company has adopted no new accounting standards in the year ended December 31, 2022.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

Income Taxes

The Company computes an income tax provision in each of the jurisdictions in which it operates. However, actual amounts of income tax expense only become final upon filing and acceptance of the tax return by the relevant authorities, which occur subsequent to the issuance of the financial statements. Additionally, estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the ability to use the underlying future tax deductions before they expire against future taxable income. The assessment is based upon existing tax laws and estimates of future taxable income. To the extent estimates differ from the final tax return, earnings would be affected in a subsequent period. The Company's 2022 applicable tax rate is 26% (2021 – 26%) of earnings. Its subsidiaries in BVI have no income taxes. A 1% increase in the effective tax rate would have no material impact on the consolidated statements of (loss).

Available for Sale Financial Assets

The Company exercises a substantial amount of estimation in the valuation of privately owned investments.

Changes in any of the assumptions or situations noted above could have a material impact on the classification and valuation of the Company's investment. Refer to Note 12 for additional details.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

Stock-based compensation, warrants

The Company generally utilizes the Black-Scholes option pricing model to determine the fair values of the stock-based payments, warrants and derivative liabilities. The Company uses significant judgement in the evaluation of the input variables in the Black-Scholes calculation which includes: risk free interest rate, expected stock price volatility, expected life, expected dividend yield.

Profit Sharing Agreement

The Company entered into a profit-sharing agreement with a private investor to permit VanSpar to acquire additional shares in VRB. The Company does not have an obligation to repay the funding provided by the private investor. The Company uses significant judgement in the assessment of the accounting treatment of the profit-sharing agreement. The Company has determined this profit-sharing agreement is a joint operation, and had recognized no share of gain, asset or liability in relation this profit-sharing agreement as of December 31, 2022. Refer to Note 12 for additional details.

Going Concern

The Company applies judgment in assessing whether material uncertainties exist that would cause doubt as to whether the Company could continue as a going concern.

Equity vs Liability

The Company makes estimates and utilizes assumptions in determining whether warrants issued by the Company as part of a unit should be classified as an equity instrument or a liability.

Fair Value

Where the fair value of financial assets and financial liabilities and the fair value of share based payments recorded in the consolidated statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model and the Black-Scholes option pricing model for the valuation of stock options and warrants. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments on the discounted cash flow model include considerations of inputs such as liquidity risk, credit risk and volatility. The judgments on the measurement of stock options and warrants include the expected dividends, life of the instruments, volatility and vesting of options. Changes in assumptions about these factors could affect the reported fair value of financial instruments and the equity instruments.

Loan payable carrying amount and government grant

When calculating the carrying amount of the CEBA loan payable and the government grant portion, using the amortized cost method, the Company needs to make assumptions of the interest rate applying, and the assumption that the Company would make the payments required in time to be able to get the forgiven portion that is recorded as government grant. Change in assumptions about these factors could affect the reported carrying value of the loan payable and the government grant income.

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

4. FINANCIAL INSTRUMENTS AND RISKS MANAGEMENT

Financial Instruments

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

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

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

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

				As at December 31, 2022
	Level 1 $	Level 2 $	Level 3 $	Total $
Cash	80,556	-	-	80,556
Marketable securities	4,836	-	-	4,836
Investment available for sale	-	-	1,587,133	1,587,133
	85,392	-	1,587,133	1,672,525

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

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

4. FINANCIAL INSTRUMENTS AND RISKS MANAGEMENT (Continued)

Company's subsidiary VanSpar has an investment in a private company: VRB Energy Inc. This investment has been classified as a financial asset of fair value through other comprehensive income ("FVTOCI"). At December 31, 2022, the fair value of the investment available for sale was revalued to be $1,587,533 (2021 - $1,493,856), based on the private placement price of shares of VRB of US$0.065 per share in July 2019 (Note 12) and the most recent estimate of fair value. The fair value of this investment did not change significantly during the year 2022.

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

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

<u>Credit Risk</u>

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

<u>Liquidity Risk</u>

The Company has a liquidity concern. As at December 31, 2022, the Company had a cash balance of $80,556 and marketable securities of $4,836 to settle current liabilities of $614,698. The Company's accounts payable and accrued liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The short-term loan plus interest of $224,078 are payable on demand. The Company will continue its efforts to obtain adequate financing and reach profitable levels of operations, or liquidate the assets for sale.

<u>Market Risk</u>

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

<u>Interest Rate Risk</u>

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

<u>Foreign Currency Risk</u>

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 one of the Company subsidiaries maintains a USD denominated bank accounts. Unfavorable changes in the applicable exchange rate between USD and the Canadian dollar may result in a change in foreign exchange gain or loss. The Company and its subsidiaries do not use derivative instruments to reduce the exposure to foreign currency risk.

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

4. FINANCIAL INSTRUMENTS AND RISKS MANAGEMENT (Continued)

The Company's activities that result in exposure to fluctuations in foreign currency exchange rates consist of the purchase of properties and the purchase of services, materials and equipment from suppliers invoiced in foreign currencies. As at December 31, 2022, approximately 82 of its assets were carried in foreign currencies, and approximately 0% of expenses in 2022 were incurred in foreign currencies.

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

Balances as at December 31, 2022	US$
Investment held for sale	1,170,000
Net exposure	1,170,000

Securities Price Risk

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

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

Sensitivity Analysis

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

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

(ii) As at December 31, 2022, a 10% fluctuation in the exchange rate from US$ to CDN$ will have an impact of about $117,000 on its comprehensive loss.

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

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

5. PROPERTY, PLANT AND EQUIPMENT

Costs	Mining plant Equipment	Automobile	Total
	$	$	$
December 31, 2020	110,000	-	110,000
Addition	48,654	-	48,654
December 31, 2021	158,654	-	158,654
Addition	53,762	14,995	68,757
December 31, 2022	212,416	14,995	227,411

Accumulated amortization and depletion	Mining plant Equipment	Automobile	Total
	$	$	$
December 31, 2020	99,000	-	99,000
Amortization for the year	9,149	-	9,149
December 31, 2021	108,149	-	108,149
Amortization for the year	20,330	1,749	22,079
December 31, 2022	128,479	1,749	130,228

Net book values			
December 31, 2021	50,505	-	50,505
December 31, 2022	83,937	13,246	97,183

During the year ended December 31, 2022, the Company expensed $22,079 (2021 - $9,149) in amortization to the consolidated statement of (loss). There was no reversal of impairment in the period.

6. EXPLORATION AND EVALUATION PROJECTS

Sir Harry Oakes Gold Property, Canada

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

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

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

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

6. EXPLORATION AND EVALUATION PROJECTS (Continued)

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

Bruell Property, Canada

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

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

- On signing (Firm commitment): cash payment of $25,000, 100,000 shares issued, and exploration expenditures of $100,000 in first year. (Completed)
- End of Year 2018: Cash payment of $20,000, 150,000 shares issued, and exploration expenditures of $100,000. (Completed)
- End of Year 2019: Cash payment of $30,000, 200,000 shares issued, and exploration expenditures of $300,000. (Completed)
- End of Year 2020: Cash payment of $50,000, 350,000 shares issued and exploration expenditures of $400,000. (completed)
- End of Year 2021: Cash payment of $75,000, 500,000 shares issued and exploration expenditures of $600,000. (Completed)
- End of Year 2022: (Completed): Cash payment of $100,000 (paid), 200,000 shares issued (completed) and exploration expenditures of $600,000 (completed).
- Production Royalty: If commercial production takes place on the Bruell property, the Vendors collectively, will be entitled to receive an annual production royalty (the "Royalty") equal to 2% of Net Smelter Returns as customarily defined. At any time after a feasibility study is completed for development of any part of the Property ½ of this Royalty (or 1%) may be purchased by the Company for the sum of $1,000,000. All cash payments share issuances, and royalty payments if any, will be paid or issued as to 50% of the totals to each prospector.
- On October 21, 2019, the Company announced 15 additional mining claims have been acquired from a private prospector extending the original 36 Bruell mining claims. As of December 31, 2019, the Company had paid $75,000 to the Vendors. The Company also had issued 250,000 common shares to the Vendors valued at $13,000. As of September 30, 2020, $547,733 exploring expenses have been incurred by the Company before it was optioned to Eldorado Gold Corporation.

6. EXPLORATION AND EVALUATION PROJECTS (Continued)

- On December 16, 2019, Sparton announced that it had executed definitive agreements including an Option Agreement with Eldorado Gold Corporation ("Eldorado") to grant an option to Eldorado to earn up to an initial 75% interest ("Option") in the Bruell Project. Under the Option Agreement Eldorado will make all future cash payments and fund all the future expenditures required under the existing Property Option Agreement between the Company and the original optionors. Sparton received a cash payment of $150,000 as partial compensation for past expenditures that was recorded as recovery of exploration expenses in the consolidated statements of (loss). If Eldorado makes all future cash payments and funds all the future expenditures required then it has the right to have Sparton participate in a new joint-venture in which Sparton will hold a 25%, or buy-out Sparton's 25% interest for $1.8 million adjusted for the Consumer Price Index at the time Eldorado makes the election, in which case Sparton will be granted a 2% Net Smelter Return Production Royalty ("NSR"), and 50% of the NSR can be purchased by Eldorado for $2.5 million at any time.
- In August 2020, $50,000 was paid by Eldorado through Sparton to the Vendors, and 350,000 Sparton shares were issued to the Vendors at a value of $21,000.
- In August 2021, $75,000 was paid by Eldorado through Sparton to the Vendors, and 500,000 Sparton shares were issued to the Vendors at a value of $55,000.
- In August 2022, $100,000 was paid by Eldorado through Sparton to the Vendors and 200,000 Sparton shares were issued to the Vendors at a value of $15,000.

The Company has completed the earn-in and exercised its option to acquire 100% of the 51-claim Bruell Property. It did so by issuing a total of 1.5 million common shares of the Company, making $300,000 in cash payments to the vendors, and incurring $1.5 million in exploration expenditures on the claims.

Eldorado has successfully completed its option commitments but has not yet exercised its option. The completion of the required work and payments to the vendors by Eldorado has enabled the Company to complete acquisition of the Bruell Property, as mentioned above.

Eldorado has requested, and Sparton has agreed to a one-year extension on the Eldorado Option Agreement. In consideration for the extension, Eldorado has agreed to carry out a minimum of 4,000 metres of additional drilling as a new option commitment. The additional drilling will test several geochemical (till) anomalies, as well as follow-up holes on positive results from the recently completed 2022 drilling program. All other material terms of the Eldorado Option Agreement remain unchanged. Under the terms of the Eldorado Option, Eldorado has the right to require Sparton to participate in a new joint-venture in which Sparton will hold a 25% interest, or buy-out Sparton's 25% interest for $1.8 million adjusted for the Consumer Price Index at the time Eldorado makes the election, in which case Sparton will be granted a 2% Net Smelter Return Production Royalty ("NSR"), and 50% of the NSR can be purchased by Eldorado for $2.5 million at any time. Eldorado would also be responsible for the royalty payable to the original vendors under the buy-out option if it elects the buy-out.

In 2022, Eldorado completed 11 diamond drill holes totaling 4,745 metres. In 2023 Eldorado planned approximately 8000 meters of additional drilling at Bruell in 21 holes.

Mineral Claims, Canada

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

6. EXPLORATION AND EVALUATION PROJECTS (Continued)

Pense Property, Canada

On November 3, 2022 the Company announced that it has entered into an option agreement with three independent prospectors (collectively, the "Vendors") to explore the 39 claim (865 hectare) Pense Property ("the Property") in Pense Township, Ontario. The claims are located near the Quebec provincial border, approximately 25 kilometers east of Englehart, Ontario, in the Larder Lake Mining Division.

Under the terms of the 3-year option agreement, Sparton will issue a total of 400,000 common shares, incur a total of $250,000 in exploration expenditures on the Property, and make cash payments totaling $175,000 over the 3- year period, to earn a 100% interest in the Property, detailed as follows:

Upon Receipt of Regulatory Approval: a cash payment of $25,000, issuance of a total of 100,000 common shares to the Vendors, and a commitment to incur exploration expenditures of $50,000 in first year.

In Year 2: Cash payment of $50,000, 150,000 common shares to be issued to the Vendors, and exploration expenditures of $100,000. (Optional) In Year 3: Cash payment of $100,000, 150,000 common shares to be issued to the Vendors, and exploration expenditures of $300,000. (Optional)

Production Royalty: If commercial production takes place on the Pense Property, the Vendors, will be entitled to receive an annual production royalty (the "Royalty") equal to 2% of Net Smelter Returns, as customarily defined. At any time after a feasibility study is completed for development of any part of the Property, ½ of this Royalty (or 1%) may be purchased by the Company for the sum of $2,000,000. The Company will also have a right of first refusal to purchase the remaining 1% NSR Royalty.

All cash payments, share issuances and royalty payments, if any, will be paid or issued as to 33.333% of the totals to each vendor.

The agreement received final regulatory and Company board approval.

7. LOANS PAYABLE

1) As at December 31, 2022 there was a short-term loan of $52,000 (2021 - $52,000) bearing an annual interest of 6% payable on a quarterly basis in arrears, unsecured, and due on demand. As at December 31, 2022 there was $142,078 (2021 - $139,001) interest payable accrued for this loan.

2) In April 2020, the Company's subsidiary EDCOR obtained a $40,000 in revolving credit from the Government of Canada under the Canada Emergency Business Account (CEBA) Covid-19 Economic Response Plan. The funding is granted in the form of an interest free revolving credit line of which up to $40,000 may be drawn. On January 1, 2021, any balance remaining on the revolving credit line automatically converted into a non-revolving term loan. Effective January 1, 2023, any outstanding balance on the term loan shall bear interest at a rate of 5% per annum. The term loan matures on December 31, 2025. The Company drew the full $40,000 and repaid $30,000 before December 31, 2022, with the balance $10,000 forgiven by the government. The interest accrued for the year ended December 31, 2021 was $3756.

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

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

   In 2021, the Government of Canada reassessed the Company's application of the loan, as a result, the Company is required to repay $40,000 of the loan, due on demand, that is presented as $40,000 short term loan payable as of December 31, 2021. A loss of government grant is recorded as $19,165 for the year 2021. In the year 2022, the Company's bank has informed that Company that the $30,000 loan is determined to be due on December 31, 2023. Given the unclearness and inconsistency, the Company choses to present the loan as due on demand of $30,000 as of December 31, 2022.

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

8. CAPITAL STOCK

(a) Common Shares

Authorized: Unlimited common shares
Issued: 148,241,537 common shares

Date	Description	No. of shares	Amount
December 31, 2020		139,455,923	$18,672,054
	Exercise of warrants (1)	4,985,614	654,291
	Exercise of options (2)	2,000,000	211,376
	Shares issued for property (3)	500,000	55,000
December 31, 2021		146,941,537	$19,592,721
	Shares issued for property (4) (5)	300,000	21,000
	Shares issued in private placement (6)	1,100,000	66,000
December 31, 2022		148,241,537	$19,673,721

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

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

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

4) On August 10, 2022, 200,000 common shares were issued to the Bruell vendor as described in Note 6, at a valuation of $15,000.

5) On November 2, 2022, total of 100,000 common shares were issued to the Vendor of the Pense property as described in Note 6 that were valued at $6,000.

6) On December 30, 2022 the Company closed a $88,000 private placement financing through the sale of 1,100,000 Flow Through Share Units ("FTSU"). Each FTSU consists of one common share of the Company and one-half Share Purchase Warrant. Each Share Purchase Warrant entitles the holder to purchase one additional common share of the Company at a price of $0.12 until December 30, 2024. Each FTSU was priced at $0.08. The proceeds of $88,000 for the FTSU was allocated $66,000 to shares, $19,624 to warrants, and $2,376 to flow-through share premium that was renounced at the end of 2022. The warrants were valued at grant at December 30, 2022 using a Black-Scholes model. Assumptions used to determine the value of the options using the Black-Scholes model were: stock price $0.06; dividend yield 0%; risk-free interest rate 4.07%; expected annual volatility 145%; and expected life of 2 years.

8. CAPITAL STOCK (continued)

(b) Share-based payment reserve

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

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

On August 24, 2021, the Company granted 2,700,000 stock options to its directors, consultants and advisors; each option entitles the holder to acquire one common share of the Company at an exercise price of $0.10 before August 24, 2024. 30% of the option vested immediately on the grant date. 30% will vest on August 24, 2022 and 40% are vesting on August 24, 2023. The options were valued at grant at August 24, 2021 for $248,240 using a Black-Scholes model. Assumptions used to determine the value of the options using the Black-Scholes model were: stock price $0.06; dividend yield 0%; risk-free interest rate 0.3%; expected annual volatility 201%; and expected life of 3 years. $87,054 stock-based compensation expenses were recognized on the statement of loss for the year 2021. $111,653 stock-based compensation expenses were recorded on the statement of loss for the year ended December 31, 2022. On December 31, 2022 there were 3,400,000 (2021 - 3,400,000) options outstanding of which 2,320,000 (2021 – 1,510,000) were exercisable.

(c) Warrants

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

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

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

9. RELATED PARTY TRANSACTIONS

The Company's related parties consist of the following:

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

Due to related parties	December 31, 2022 $	December 31, 2021 $
Consulting fees payable to Oriental Sources Inc. (i)	132,288	135,678
Rent and fees payable to Lee Barker (i)	108,950	85,792
Total	241,238	221,470

(i) During the year 2022, $18,000 (2021 - $18,000) office space rent expenses were accrued for property owned by the President of the Company. The Company was also billed and paid $36,000 plus HST (2021 - $36,000) by Oriental Sources Inc., a company controlled by the CFO of the Company for consulting fees which were recorded as management and consulting fees on the consolidated statement of loss.

(ii) During the year 2021, three directors and one officer of the company were granted a total number of 1,900,000 options, as described in Note 8(b), that were valued at $61,260.

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

	2022	2021
Salaries, consultant fees and other benefits	$ 36,000	$ 36,000
Share based payments	78,571	61,260
	$ 114,571	$ 97,260

10. COMMITMENTS AND CONTINGENCIES

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

(b) See Note 12 the Company's commitment on the profit sharing with the private investor upon the sale of the Additional Shares in VRB.

(c) See Note 6 on the commitment on acquisition of Sir Harry Oakes property.

11. CAPITAL MANAGEMENT

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

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

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

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

12. THE VANSPAR VRB ENERGY TRANSACTION

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

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

The VRB Energy Transaction and the Funding Transaction were closed before the end of 2016. VanSpar received, among other considerations, 9,000,000 or 18% of VRB Energy common shares that was recorded as investment available for sale with a fair value of $1,457,000 as of December 31, 2017. In the year 2022, the value increased from $1,493,856 in 2021 to $1,587,133 due to foreign exchange and the Company recorded $93,277 gain in other comprehensive income.

In July 2017 VanSpar received a Financing Notice and Subscription Agreement from VRB Energy where under VRB Energy would raise US $5 million through the sale of 38,759,690 shares at a deemed value of USD$0.129 per share, this has been completed. VanSpar executed, in 2017, a profit-sharing agreement with a private investor to permit VanSpar to acquire the 6,976,744 Additional Shares in JDH (now VRB). Before the agreement VanSpar owned 9,000,000 common shares of VRB Energy, or 18%. Under the profit-sharing agreement, the private investor will provide funds required for VanSpar to participate and acquire more shares (“Additional Shares”) in VRB Energy’s future financing, to maintain VanSpar’s 18% in VRB Energy. The funds can be used only for this purpose. Once the Additional Shares are sold in a liquidation event, the investor will be entitled to 80% of the profit (calculated as proceeds of sales minus transaction costs minus the principal fund provided by the private investor plus 7% annual interest) and VanSpar will be entitled to 20% of the profit. In case there is no profit or even a loss, VanSpar will not be responsible for repayment of the principal funds provided by the investor As at December 31, 2017 VanSpar had received five payments for a total of US$900,000 from the private investor to participate in five tranches of acquisition of VRB Energy shares. The Company has determined this profit-sharing agreement is a joint operation. There is no downside risk to the Company as VanSpar does not have obligation to repay the full principal fund, therefore the Company has not recorded the funding provided by the private investor as a financial liability and has not recorded the Additional Shares as a financial asset.

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

12. THE VANSPAR VRB ENERGY TRANSACTION (continued)

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

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

VanSpar did not participate in the financing and now retains its original 31,953,482 VRB Energy shares, representing a 9.8 percent share interest in VRB Energy Solutions Inc.

13. INCOME TAXES

(a) Provision for income taxes

Major items causing the Company's income tax rate to differ from the Canadian federal statutory rate of approximately 26.5% (2021 – 26.5%) are as follows:

	2022	2021
(Loss) before income taxes	$(355,673)	$(360,374)
Combined federal and provincial statutory income tax rate	26.5%	26.5%
Adjustment to expected income tax benefit:	(94,000)	(95,000)
(Deductible) Non-deductible expenses	28,000	21,000
Unrealized gain on short-term investment	1,278	(1,952)
Flow through and others	66,546	4,152
Change in tax benefits not recognized	(4,200)	71,800
Income tax provision (recovery)	(2,376)	-

(b) Deferred income tax balances

	2022	2021
Non-capital loss carried forward	$2,365,200	$2,282,100
Marketable securities	76,700	76,100
Net capital loss	882,700	882,700
Mineral properties and equipment	488,000	575,900
	3,812,600	3,816,800
Deferred tax asset not recognized	(3,812,600)	(3,816,800)
Total	-	-

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

13. INCOME TAXES (Continued)

(c) Tax loss carry-forwards

The Company has approximately $1,831,000 of resource expenditures which, may be utilized under certain circumstances to reduce Canadian taxable income of future years.

As at December 31, 2022, the Company has approximately $8,924,000 of non-capital losses in Canada, which can be used to reduce taxable income of future years. These losses expire as follows:

Year of expiry	Canada
2026	74,000
2027	458,000
2028	317,000
2029	1,490,000
2030	1,150,000
2031	464,000
2032	1,440,000
2033	548,000
2034	320,000
2035	387,000
2036	672,000
2037	30,000
2038	547,000
2039	308,000
2040	75,000
2041	173,000
2042	471,000
	$ 8,924,000