# SPARX ENERGY CORP.

## INTERIM FINANCIAL STATEMENTS

## FOR THE SIX MONTHS ENDED JUNE 30, 2014

(Unaudited – Expressed in Canadian Dollars)

**Notice of No Auditor Review**

These unaudited interim financial statements of Sparx Energy Corp. (the "Corporation") have not been reviewed by the auditors of the Corporation. This notice is being provided in accordance with Section 4.3 (3) (a) of National Instrument 51-102 - Continuous Disclosure Obligations.

**SPARX ENERGY CORP.**
INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited - Expressed in Canadian Dollars)

| | | June 30 2014 | | December 31 2013 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Current assets** | | | | |
| Cash | $ | 691 | $ | 809 |
| Amounts receivable | | 175 | | 464 |
| | $ | 866 | $ | 1,273 |
| **LIABILITIES** | | | | |
| **Current liabilities** | | | | |
| Accounts payable and accrued liabilities | $ | 60,150 | $ | 53,591 |
| Loans payable (note 4) | | 105,500 | | 100,500 |
| | | 165,650 | | 154,091 |
| **SHAREHOLDERS' DEFICIENCY** | | | | |
| Share capital (note 5) | | 52,500 | | 52,500 |
| Deficit | | (217,284) | | (205,318) |
| | | (164,784) | | (152,818) |
| | $ | 866 | $ | 1,273 |

Nature and continuance of operations (note 1)

Approved on behalf of the Board

Director *"Richard W. Grayston"*
Richard W. Grayston

Director *"Anita Algie"*
Anita Algie

*The accompanying notes are an integral part of these interim financial statements*

## SPARX ENERGY CORP.

INTERIM STATEMENTS OF COMPREHENSIVE LOSS
(Unaudited - Expressed in Canadian Dollars)

| | For the three months ended June 30 | | For the six months ended June 30 | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| **EXPENSES** | | | | |
| Bank charges | $ 36 | $ - | $ 105 | $ - |
| Consulting fees (note 8) | 2,100 | 5,500 | 4,200 | 23,000 |
| Interest | 2,590 | 1,405 | 5,078 | 1,405 |
| Professional fees | 174 | 2,105 | (746) | 5,105 |
| Regulatory and transfer agent fees | 2,504 | 3,351 | 3,329 | 3,351 |
| **Net and comprehensive loss for the period** | $ 7,404 | $ 12,361 | $ 11,966 | $ 32,861 |
| **Basic and diluted loss per share** (note 9) | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.02 |
| **Weighted average number of common shares outstanding** | 13,111,431 | 4,322,445 | 13,111,431 | 2,173,165 |

*The accompanying notes are an integral part of these interim financial statements*

**SPARX ENERGY CORP.**
INTERIM STATEMENTS OF CHANGES IN DEFICIENCY
(Unaudited - Expressed in Canadian Dollars)

| | Number of Shares | Share Capital | Deficit | Total Shareholders' Deficiency |
|---|---|---|---|---|
| **Balance at January 1, 2013** | 1 | $ 1 | $ (10,000) | $ (9,999) |
| Shares issued for cash (note 5) | 2 | 1 | - | 1 |
| Redemption of shares (note 5) | (2) | (1) | (94,999) | (95,000) |
| Cancellation of share under plan of arrangement (note 5) | (1) | (1) | | (1) |
| Shares distributed under plan of arrangement (notes 3 and 5) | 13,111,431 | 52,500 | - | 52,500 |
| Net and comprehensive loss for the period | - | - | (32,861) | (32,861) |
| **Balance at June 30, 2013** | 13,111,431 | 52,500 | (137,860) | (85,360) |
| **Balance at January 1, 2014** | 13,111,431 | 52,500 | (205,318) | (152,818) |
| Net and comprehensive loss for the period | - | - | (11,966) | (11,966) |
| **Balance at June 30, 2014** | 13,111,431 | $ 52,500 | $ (217,284) | $ (164,784) |

*The accompanying notes are an integral part of these interim financial statements*

## SPARX ENERGY CORP.

INTERIM STATEMENTS OF CASH FLOWS
(Unaudited - Expressed in Canadian Dollars)

| | For the six months ended June 30 2014 | 2013 |
|---|---|---|
| **Cash provided by (used for):** | | |
| **Operating activities** | | |
| Net and comprehensive loss | $ (11,966) | $ (32,861) |
| Change in non-cash working capital: | | |
| Amounts receivable | 289 | (10,044) |
| Accounts payable and accrued liabilities | 6,559 | 25,404 |
| | (5,118) | (17,501) |
| **Financing activities** | | |
| Proceeds from issuance of shares (notes 3 and 5) | - | 17,500 |
| Loan advances (note 4) | 5,000 | - |
| | 5,000 | 17,500 |
| **Change in cash during the period** | (118) | (1) |
| **Cash, beginning of the period** | 809 | 1 |
| **Cash, end of the period** | $ 691 | $ - |

**Supplementary Cash Flow Information (note 10)**

*The accompanying notes are an integral part of these interim financial statements*

## 1. NATURE AND CONTINUANCE OF OPERATIONS

Sparx Energy Corp. ("Sparx" or the "Corporation") was incorporated in the Province of British Columbia on October 5, 2012. For the period October 5, 2012 to May 31, 2013, the Corporation was a wholly owned subsidiary of Glenmark Capital Corp. (formerly Abbastar Resources Corp.) ("Glenmark"), which is a junior exploration company engaged in the business of identification, acquisition and exploration of mineral interests.

During October, 2012, Glenmark's board of directors approved a plan of arrangement (the "Arrangement") between Glenmark and its four wholly-owned subsidiaries, including Sparx. As a result of the completion of the Arrangement on May 31, 2013, Glenmark ceased to be a shareholder of Sparx and the Corporation became a reporting issuer in its own right. Sparx is a junior exploration company engaged in the business of identification, acquisition and exploration of mineral interests.

The Corporation's principal office and registered and records office is located at 1600-609 Granville Street, Vancouver, BC V7Y 1C3.

These interim financial statements have been prepared on a going concern basis which presumes the realization of assets and settlement of liabilities in the normal course of operations in the foreseeable future. The Corporation has incurred operating losses and at June 30, 2014 had a deficit of $217,284 and a working capital deficiency of $164,784. The continuing operations of the Corporation are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future.

These interim financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Corporation be unable to continue in existence. The aforementioned factors indicate the existence of a material uncertainty which may cast significant doubt about the Corporation's ability to continue as a going concern. Further discussion of liquidity risk is included in notes 6 and 7.

These interim financial statements were authorized for issue on August 22, 2014 by the directors of the Corporation.

## 2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

These interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including International Accounting Standards ("IAS") 34, Interim Financial Reporting. These interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Corporation's audited annual financial statements for the year ended December 31, 2013, which have been prepared in accordance with IFRS.

The financial statements of the Corporation have been prepared on an accrual and historical cost basis, except for financial instruments that have been measured at fair value. The presentation and functional currency of the Corporation is the Canadian dollar.

## 2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION *(continued)*

### Use of Estimates and Assumptions

The preparation of the Corporation's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

### Significant Judgments

The preparation of financial statements in accordance with IFRS requires the Corporation to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments applying to the Corporation's financial statements include:

- the assessment of the Corporation's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty;
- the classification/allocation of expenditures as exploration and evaluation expenditures or operating expenses; and
- the classification of financial instruments.

### Impairment

At each reporting period, management reviews all assets for indicators of impairment. If such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction. In assessing value in use, the estimated future cash flows are discounted to their present value. If the recoverable amount of the asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for that period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which that asset belongs.

### New Accounting Standards and Recent Pronouncements

The Corporation has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Corporation has not early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its financial statements.

<u>Accounting Standards Issued and Effective January 1, 2014:</u>

Amendments to IAS 32, *Financial Instruments: Presentation* provides for amendments relating to offsetting financial assets and financial liabilities.

<u>Accounting Standards Issued with the effective date to be finalized:</u>

IFRS 9 *Financial Instruments* replaces the current standards IAS 39 *Financial Instruments: Recognition and Measurement*, replacing the current classification and measurement criteria for financial assets and liabilities with only two classification categories: amortized cost and fair value.

(Unaudited – Expressed in Canadian Dollars)

## 3. EXPLORATION AND EVALUATION ASSETS

On May 31, 2013, Glenmark completed a plan of arrangement with the Corporation whereby Sparx received $52,500 in assets comprised of $17,500 in cash and an assignment of the Doran uranium property interest ("Doran Property") in exchange for 13,111,431 common shares, which were distributed to Glenmark shareholders on a pro rata basis.

In 2007, Glenmark and Entourage Mining Ltd. ("Entourage") entered into an option agreement (the "Doran Agreement") wherein Glenmark was granted the sole option and right to acquire up to 70% of Entourage's interest in the Doran Property situated in Costebelle Township, on the north shore of the Gulf of St. Lawrence in south-eastern Quebec. Glenmark paid Entourage $100,000 which was required pursuant to the Doran Agreement in order to exercise the option and acquire the interest in the Doran Property. During its year ended December 31, 2012, Glenmark wrote down the property to $35,000 which was considered to be its fair value at that date.

As of May 31, 2013, Glenmark had incurred $1,520,190 in mineral property exploration expenditures as defined in the Doran Agreement and earned a 35% interest. Glenmark elected not to make the necessary mineral exploration expenditures on the Doran Property during the third year of the original agreement and Sparx may, pursuant to the agreement, proceed on a joint venture basis with Entourage in the future.

During the year ended December 31, 2013, the Corporation chose to write-off all costs associated with the Doran property.

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from potential aboriginal claims and frequently ambiguous conveyancing history characteristic of many mineral properties. At the time of the original acquisition, Glenmark investigated the title to the Doran Property and, to its knowledge, it is in good standing.

| | Balance Dec 31, 2012 | Acquisition under Plan of Arrangement | Write-down of property | Balance Dec 31, 2013 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Doran property - Quebec, Canada | - | 35,000 | (35,000) | - |
| | - | 35,000 | (35,000) | - |

(Unaudited – Expressed in Canadian Dollars)

## 4. LOANS PAYABLE

Loans payable in the amount of $105,500 (December 31, 2013 - $100,500) are unsecured, bear interest at 10% per annum and will be repaid once the Corporation's business plan is implemented. The lenders have the option to be repaid in cash or shares of the Corporation. These loans represent funds advanced by investors who are assisting in restructuring the Corporation. It is not presently known what business, organizational or management changes may be necessary to complete this restructuring.

## 5. SHARE CAPITAL

### Authorized

Unlimited number of common shares, without par value.

### Issued

| | |
|---|---|
| 13,111,431 common shares | $ 52,500 |

On April 24, 2013, the Corporation issued 2 common shares at a price of $0.05 per share to two officers of Sparx for gross proceeds of $0.10. On May 7, 2013, these shares were redeemed and cancelled for $95,000 in cash.

On May 31, 2013, the Corporation cancelled its 1 incorporating share and issued 13,111,431 common shares for $17,500 in cash and an assignment of the Doran mineral property interest under a plan of arrangement (see note 3).

### Warrants

Details of common share purchase warrants outstanding at June 30, 2014 and December 31, 2013 are as follows:

| | Number of Warrants | Exercise price | Expiry date |
|---|---|---|---|
| Share purchase warrants | | | |
| Issued under amended plan of arrangement | 12,100,000 | $ 0.10 | April 8, 2018 |

Common share purchase warrant transactions during the six month periods ended June 30, 2014 and 2013 are as follows:

| | June 30, 2014 | | | June 30, 2013 | | |
|---|---|---|---|---|---|---|
| | Number of Warrants | Weighted average exercise price | Fair Value | Number of Warrants | Weighted average exercise price | Fair Value |
| Outstanding - beginning of period | 12,100,000 | $ 0.10 | $ - | - | $ - | $ - |
| Issued | - | - | - | 12,100,000 | 0.10 | - |
| Outstanding - end of period | 12,100,000 | $ 0.10 | $ - | 12,100,000 | $ 0.10 | $ - |

## 5. SHARE CAPITAL *(continued)*

The weighted average remaining contractual life of the issued and outstanding warrants as at June 30, 2014 was 3.75 years.

Effective July 10, 2013, the Arrangement (see note 3) between the Corporation and Glenmark was amended. Under the original plan, the Corporation was required to issue one common share to warrant holders of Glenmark for each Glenmark warrant exercised in return for a portion of the proceeds received by Glenmark. The exact amount to be paid would be determined by the fair market value of the assets received by Sparx under the Arrangement compared to the total fair market value of the assets of Glenmark as of May 31, 2013 immediately prior to the completion of the Arrangement.

Under the amended Arrangement, Glenmark warrant holders received an equal number of Sparx warrants exercisable on the same terms as the Glenmark warrants. Upon exercise of any current outstanding Glenmark share purchase warrants, Glenmark will not be required to remit any portion of the exercise price of these warrants to Sparx.

In connection with this amendment, Sparx has completed the issuance of 12,100,000 share purchase warrants on August 12, 2013. Each warrant entitles the holder to acquire one common share of Sparx at a price of $0.10 per share until April 8, 2018.

## 6. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

### Fair Values

As at June 30, 2014, the Corporation's financial instruments consist of cash, amounts receivable, accounts payable and accrued liabilities, and loans payable.

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. The Corporation classifies the fair value of the financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in the active market for identical assets or liabilities.

Level 2: Fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices).

Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

The fair value of cash, amounts receivable, accounts payable and accrued liabilities, and loans payable is determined on level 1 inputs and the carrying amounts approximate the fair values due to the short-term maturities of these items.

### Credit Risk

The Corporation is not exposed to any significant credit risk as it has limited cash balances at June 30, 2014.

## 6. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(continued)*

### Interest Rate and Foreign Exchange Risks

Sparx has cash balances and only fixed interest-bearing debt. The Corporation is not exposed to any significant interest rate or foreign exchange risks.

### Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to pay financial instrument liabilities as they come due. The Corporation's only liquidity risk from financial instruments is its need to meet accounts payable and accrued liabilities and loans payable requirements. The Corporation did not maintain sufficient cash balances to meet its needs at June 30, 2014.

### Price Risk

The Company is not exposed to price risk.

## 7. CAPITAL MANAGEMENT

The Corporation's capital currently consists of common shares. Its principal source of cash is from the issuance of common shares. The Corporation's capital management objectives are to safeguard its ability to continue as a going-concern and to have sufficient capital to be able to identify, evaluate and then acquire an interest in a business or assets. The Corporation does not have any externally imposed capital requirements to which it is subject. The Corporation manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Corporation may attempt to issue new shares.

## 8. RELATED PARTY TRANSACTIONS

All transactions with related parties have occurred in the normal course of operations and are measured at their fair value as determined by management. Unless otherwise indicated, the balances are unsecured, non-interest bearing, without specific terms of repayment and have arisen from advances or the provision of services and fees described.

During the six month periods ended June 30, 2014 and 2013, the Corporation incurred $3,000 plus GST (2013 - $23,000) in consulting fees paid to an existing director and two former directors. At June 30, 2014, the Corporation owed the director $6,845 (2013 - $500) in respect of these fees.

There were no other transactions with related parties and no remuneration was paid to key management personnel during the periods ended June 30, 2014 and 2013.

## 9. LOSS PER SHARE

Basic loss per share is calculated using the weighted average number of shares outstanding during the year. The warrants outstanding as at June 30, 2014 have not been included in the calculation of diluted earnings per share as the effect of their inclusion would be anti-dilutive.

## 10. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

On May 31, 2013, the Corporation acquired the Doran property interest with a fair value of $35,000 from its parent company, Glenmark, as part of the Arrangement described in note 3.