

# **SPARROW VENTURES CORP.**

**Condensed Interim Financial Statements (Unaudited)**

**Three and Nine Months Ended October 31, 2012 and 2011**

**(Expressed in Canadian Dollars)**

# **SPARROW VENTURES CORP.**

(the “Company”)

## **CONDENSED INTERIM FINANCIAL STATEMENTS**

**Three and nine months ended October 31, 2012 and 2011**

### **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

The management of Sparrow Ventures Corp. is responsible for the preparation of the accompanying unaudited condensed interim financial statements. The unaudited condensed interim financial statements have been prepared using accounting policies in compliance with International Financial Reporting Standards for the preparation of condensed interim financial statements and are in accordance with IAS 34 - Interim Financial Reporting.

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

December 19, 2012

# SPARROW VENTURES CORP.

Condensed Interim Statements of Financial Position (Unaudited)  
(Expressed in Canadian Dollars)

	Notes	October 31, 2012 \$	January 31, 2012 \$
<b>ASSETS</b>			
<b>CURRENT</b>			
Cash and cash equivalents		142,728	226,240
Interest receivable		-	1,235
HST recoverable		1,129	1,569
Prepaid expenses and deposits	5(c)	1,500	1,500
		<hr/>	<hr/>
		145,357	230,544
Equipment		<hr/>	<hr/>
		2,624	2,113
		<hr/>	<hr/>
		147,981	232,657
		<hr/>	<hr/>
<b>LIABILITY</b>			
<b>CURRENT</b>			
Accounts payable and accrued liabilities		784	12,731
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	4	1,007,228	1,007,228
Share-based payment reserve		147,655	138,952
Deficit		(1,007,686)	(926,254)
		<hr/>	<hr/>
		147,197	219,926
		<hr/>	<hr/>
		147,981	232,657
		<hr/>	<hr/>

Nature of operations (Note 1)

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

# SPARROW VENTURES CORP.

Condensed Interim Statements of Changes in Equity (Unaudited)  
(Expressed in Canadian Dollars)

	Notes	Number of Common Shares	Share Capital \$	Share-Based Payment Reserve \$	Deficit \$	Total \$
<b>Balance, February 1, 2011</b>		13,590,500	1,007,228	135,149	(772,456)	369,921
Comprehensive loss for the period		-	-	-	(145,894)	(145,894)
Share-based payments	4(d)	-	-	28,403	-	28,403
<b>Balance, October 31, 2011</b>		13,590,500	1,007,228	163,552	(918,350)	252,430
Comprehensive loss for the period		-	-	-	(37,033)	(37,033)
Forfeited options		-	-	(29,129)	29,129	-
Share-based payments	4(d)	-	-	4,529	-	4,529
<b>Balance, January 31, 2012</b>		13,590,500	1,007,228	138,952	(926,254)	219,926
Comprehensive loss for the period		-	-	-	(82,420)	(82,420)
Forfeited options		-	-	(988)	988	-
Share-based payments	4(d)	-	-	9,691	-	9,691
<b>Balance, October 31, 2012</b>		13,590,500	1,007,228	147,655	(1,007,686)	147,197

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

# SPARROW VENTURES CORP.

Condensed Interim Statements of Comprehensive Loss (Unaudited)  
(Expressed in Canadian Dollars)

Three and nine months ended October 31, 2012 and 2011

	Notes	Three months ended October 31,		Nine months ended October 31,	
		2012	2011	2012	2011
		\$	\$	\$	\$
<b>EXPENSES</b>					
Accounting, audit and legal		-	-	1,606	4,555
Bank charges		74	102	434	402
Consulting fees		-	3,700	10,000	15,778
Depreciation		208	189	549	521
Management fees	5(b)	3,000	3,000	9,000	9,000
Office, rent and administration	5(a)	20,507	18,382	53,405	50,813
Regulatory fees		500	-	9,155	10,515
Share-based payments	4(d)	762	5,302	9,691	28,403
Transfer agent and shareholder information		3,209	2,113	5,957	6,200
Travel and promotion		-	95	777	22,049
<b>LOSS BEFORE OTHER ITEMS</b>		<b>(28,260)</b>	<b>(32,883)</b>	<b>(100,574)</b>	<b>(148,236)</b>
<b>OTHER ITEMS</b>					
Interest and other income		-	757	18,154	2,342
<b>NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD</b>		<b>(28,260)</b>	<b>(32,126)</b>	<b>(82,420)</b>	<b>(145,894)</b>
<b>BASIC AND DILUTED LOSS PER SHARE</b>					
		<b>(0.002)</b>	<b>(0.002)</b>	<b>(0.006)</b>	<b>(0.011)</b>
<b>WEIGHTED AVERAGE NUMBER OF SHARES – BASIC AND DILUTED</b>					
		<b>13,590,500</b>	<b>13,590,500</b>	<b>13,590,500</b>	<b>13,590,500</b>

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

# SPARROW VENTURES CORP.

Condensed Interim Statements of Cash Flows (Unaudited)  
(Expressed in Canadian Dollars)

Nine months ended October 31, 2012 and 2011

	Nine Months Ended October 31,	
	2012	2011
	\$	\$
<b>CASH WAS PROVIDED BY (USED IN)</b>		
<b>OPERATING ACTIVITIES</b>		
Net loss for the period	(82,420)	(145,894)
Adjustments for non-cash items		
Depreciation	549	521
Share-based payments	9,691	28,403
Changes in non-cash working capital accounts		
Interest receivable	1,235	1,133
HST recoverable	440	1,384
Accounts payable and accrued liabilities	(11,947)	(13,180)
	<u>(82,452)</u>	<u>(127,633)</u>
<b>INVESTING ACTIVITY</b>		
Purchase of equipment	<u>(1,060)</u>	<u>(910)</u>
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(83,512)</b>	<b>(128,543)</b>
Cash and cash equivalents, beginning of period	<u>226,240</u>	<u>370,290</u>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b><u>142,728</u></b>	<b><u>241,747</u></b>

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

# **SPARROW VENTURES CORP.**

Notes to the Condensed Interim Financial Statements (Unaudited)  
(Expressed in Canadian Dollars)

Three and Nine Months Ended October 31, 2012 and 2011

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## **NOTE 1 – NATURE OF OPERATIONS**

Sparrow Ventures Corp. (the “Company”) was incorporated on July 04, 2006 under the laws of the Business Corporations Act (British Columbia). The Company’s shares are traded on the TSX Venture Exchange (“Exchange”) under the symbol “SPW.”

The head office, principal address, and records office of the Company are located at Suite 507 – 700 West Pender Street, Vancouver, BC, Canada, V6C 1G8. The Company’s registered office address is located at Suite 1780 – 400 Burrard Street, Vancouver, British Columbia, Canada, V6C 3A6.

The Company is engaged in the acquisition, exploration, and development of resource properties. On May 26, 2010, the Company entered into a mineral option agreement which constituted the Company’s Qualifying Transaction under the policies of the Exchange. During the year ended January 31, 2012, the Company terminated this option agreement (Note 4). The Company currently does not hold any mineral property interests and is actively evaluating mineral properties to acquire or option.

These financial statements have been prepared in accordance with International Financial Reporting Standards on the basis that the Company is a going concern and will be able to meet its obligations and continue its operations for its next fiscal year.

The Company will require additional financing as it acquires mineral properties or interests therein. There is no assurance that it will be able to obtain such financing, if any, on reasonable terms.

## **NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES**

### **(a) Basis of Presentation**

The condensed interim financial statements of the Company have been prepared in accordance with International Accounting Standards 34, Interim Financial Reporting (“IAS 34”), using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). The accounting policies and methods of computation applied by the Company in these condensed interim financial statements are the same as those applied in the Company’s annual financial statements as at and for the year ended January 31, 2012.

The condensed interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company’s annual financial statements for the year ended January 31, 2012.

These condensed interim financial statements were approved and authorized for issue by the Board of Directors of the Company on December 19, 2012.

### **(b) Significant Accounting Judgments, Estimates and Assumptions**

In the preparation of financial statements in conformity with IFRS, management is required to make judgments, estimates, and assumptions that affect the amounts reported and disclosed in the interim financial statements and related notes. There has been no significant change to the Company’s estimation and judgment from those disclosed in note 2 to the audited financial statements for the year ended January 31, 2012.

## **SPARROW VENTURES CORP.**

Notes to the Condensed Interim Financial Statements (Unaudited)  
(Expressed in Canadian Dollars)

Three and Nine Months Ended October 31, 2012 and 2011

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### **NOTE 3 – EXPLORATION AND EVALUATION EXPENDITURES**

On May 26, 2010, the Company entered into a letter agreement with Full Metal Minerals Ltd. (“Full Metal”) pursuant to which Full Metal granted to the Company an option to acquire a 60% interest in its Nebocat and RIM properties (“the Properties”). The Properties are located south of the community of Ross River, Yukon.

Pursuant to the terms of the agreement, the Company could earn a 60% interest in the Properties by paying \$150,000, issuing 400,000 common shares of the Company, and incurring minimum exploration expenditures of \$3,000,000 over a period of four years.

The Properties were subject to a Net Smelter Royalty of 2%.

During the year ended January 31, 2011, the Company incurred acquisition costs of \$87,531 which consisted of \$25,000, 100,000 common shares of the Company at \$0.11 per share and professional and regulatory fees of \$51,531.

During the year ended January 31, 2012, the Company terminated its option agreement with Full Metal.

### **NOTE 4 – SHARE CAPITAL**

#### **(a) Authorized**

The Company is authorized to issue an unlimited number of voting common shares without par value.

#### **(b) Issued Share Capital**

At October 31, 2012, there were 13,590,500 issued and fully paid common shares (January 31, 2012 – 13,590,500).

#### **(c) Escrow Shares**

As of October 31, 2012, the Company had 1,260,001 (January 31, 2012 – 2,520,001) common shares held in escrow pursuant to the requirements of the Exchange and escrow agreement. Pursuant to the escrow agreement, 10% of the escrowed common shares were released from escrow following issuance of the final Exchange bulletin (“Final Exchange Bulletin”) on completion of the Qualifying Transaction, and in increments of 15% every six months thereafter over a period of thirty six months. If the Company meets the Exchange’s Tier 1 status after receipt of the Final Exchange Bulletin, the release of escrow shares will be accelerated.

#### **(d) Share-Based Payments**

The Company adopted an incentive stock option plan, which provides that the Board of Directors of the Company may from time to time, at its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and consultants to the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares of the Company. Stock options and charitable options will be exercisable for a period of up to 10 years from the date of grant.



## SPARROW VENTURES CORP.

Notes to the Condensed Interim Financial Statements (Unaudited)  
(Expressed in Canadian Dollars)

Three and Nine Months Ended October 31, 2012 and 2011

### NOTE 4 – SHARE CAPITAL (Continued)

#### (d) Share-Based Payments (Continued)

In connection with the foregoing, the number of common shares reserved for issuance to any individual director or officer will not exceed five percent (5%) of the issued and outstanding common shares and the number of common shares reserved for issuance to all consultants will not exceed two percent (2%) of the issued and outstanding common shares. Options may be exercised no later than 90 days, or, in the case of an optionee providing investor relations activities, the 30<sup>th</sup> day following cessation of the optionee's position with the Company, provided that if the cessation of office, directorship, or consulting arrangement was by reason of death, the option may be exercised within a maximum period of six months after such death, subject to the expiry date of such option.

A summary of the status of the options outstanding follows:

	Number of Options	Weighted Average Exercise Price \$
<b>Balance, January 31, 2011</b>	1,464,000	0.10
Cancelled	(330,000)	0.11
Granted	330,000	0.11
<b>Balance, January 31, 2012</b>	1,464,000	0.10
Cancelled	(10,000)	0.12
<b>Balance, October 31, 2012</b>	1,454,000	0.11

The following table summarizes the stock options outstanding as at October 31, 2012:

Exercise Price \$	Number of Options Outstanding	Expiry Date	Number of Options Exercisable
0.10	865,000	May 26, 2018	865,000
0.11	100,000	August 31, 2020	100,000
0.12	159,000	October 7, 2020	159,000
0.11	330,000	May 27, 2021	288,750
	1,454,000		1,412,750

During the nine months ended October 31, 2012, the Company recorded share-based payments of \$9,691 (2011 – \$28,403) for stock options vested and granted during the period. The weighted average fair value of options granted during the period ended October 31, 2012 was \$nil (2011 – \$0.10) per option and the weighted average remaining contractual life of outstanding stock options was 6.67 years (January 31, 2011 – 7.4 years).

# SPARROW VENTURES CORP.

Notes to the Condensed Interim Financial Statements (Unaudited)  
(Expressed in Canadian Dollars)

Three and Nine Months Ended October 31, 2012 and 2011

## NOTE 4 – SHARE CAPITAL (Continued)

### (d) Share-Based Payments (Continued)

The fair values of the stock options granted were estimated using the Black-Scholes option pricing model, with the following weighted average assumptions:

	2013	2012
Risk free interest rate	-	2.03 – 2.63%
Expected dividend yield	-	0%
Expected stock price volatility	-	145%
Expected life (in years)	-	5.00 – 7.00

Option pricing models require the input of highly subjective assumptions. The volatility assumption is based on an analysis of historical volatility over a period equivalent to the expected life of the equity instruments. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models may not necessarily provide a single reliable measure of the fair value of stock options.

## NOTE 5 – RELATED PARTY TRANSACTIONS

### (a) Related Party Transactions

The Company incurred the following transactions with companies having directors and officers in common:

	Three months ended October 31,		Nine months ended October 31,	
	2012	2011	2012	2011
	\$	\$	\$	\$
Office, rent and administration expense	14,700	14,500	42,200	41,100
Legal fees	-	-	354	-
	<u>14,700</u>	<u>14,500</u>	<u>42,554</u>	<u>41,100</u>

### (b) Compensation of Key Management Personnel

The remuneration of directors and other members of key management personnel during the three and nine months ended October 31, 2012 and 2011 were as follows:

	Three months ended October 31,		Nine months ended October 31,	
	2012	2011	2012	2011
	\$	\$	\$	\$
Short-term benefits <sup>(i)</sup>	3,000	5,500	19,000	14,000
Share-based payments <sup>(ii)</sup>	804	4,009	6,852	13,554
	<u>3,804</u>	<u>9,509</u>	<u>25,852</u>	<u>27,554</u>

<sup>(i)</sup> Short-term benefits include salaries and benefits, consulting, and management fees.

## **SPARROW VENTURES CORP.**

Notes to the Condensed Interim Financial Statements (Unaudited)  
(Expressed in Canadian Dollars)

Three and Nine Months Ended October 31, 2012 and 2011

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### **NOTE 5 – RELATED PARTY TRANSACTIONS (Continued)**

#### **(b) Compensation of Key Management Personnel (Continued)**

- <sup>(ii)</sup> Share-based payments is the fair value of options granted and vested to key management personnel under the Company's stock option plan (Note 5(d)).

#### **(c) Related Party Balances**

The following related party amounts were included in prepaid expenses and deposits:

	October 31, 2012	January 31, 2012
	\$	\$
Companies having directors and officers in common	1,500	1,500

These transactions are in the normal course of operations and are measured at the fair value amount of consideration established and agreed to by the related parties. Any amounts due to related parties are unsecured, non-interest bearing, and have no specific repayment terms.