

# **SPARROW VENTURES CORP.**

**Condensed Interim Financial Statements (Unaudited)**

**Three and Six Months Ended July 31, 2014 and 2013**

**(Expressed in Canadian Dollars)**

# **SPARROW VENTURES CORP.**

(the “Company”)

## **CONDENSED INTERIM FINANCIAL STATEMENTS**

**Three and six months ended July 31, 2014 and 2013**

### **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 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.

September 10, 2014

# SPARROW VENTURES CORP.

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

|  | Notes | July 31,<br>2014<br>\$ | January 31,<br>2014<br>\$ |
|--|-------|------------------------|---------------------------|
| <b>ASSETS</b>                            |       |                        |                           |
| <b>CURRENT</b>                           |       |                        |                           |
| Cash                                     |       | 888                    | 2,007                     |
| Prepaid expenses and deposits            | 5(c)  | 1,594                  | 1,736                     |
|  |       | <hr/>                  | <hr/>                     |
|  |       | 2,482                  | 3,743                     |
| Equipment                                |       | 880                    | 1,035                     |
|  |       | <hr/>                  | <hr/>                     |
|  |       | 3,362                  | 4,778                     |
|  |       | <hr/>                  | <hr/>                     |
| <b>LIABILITIES</b>                       |       |                        |                           |
| <b>CURRENT</b>                           |       |                        |                           |
| Accounts payable and accrued liabilities | 5(c)  | 31,803                 | 6,499                     |
| Loans payable                            | 3     | 17,325                 | -                         |
|  |       | <hr/>                  | <hr/>                     |
|  |       | 49,128                 | 6,499                     |
| <b>SHAREHOLDERS' EQUITY (DEFICIENCY)</b> |       |                        |                           |
| Share capital                            | 4     | 1,010,568              | 1,007,228                 |
| Share-based payment reserve              |       | 136,914                | 134,338                   |
| Deficit                                  |       | (1,193,248)            | (1,143,287)               |
|  |       | <hr/>                  | <hr/>                     |
|  |       | (45,766)               | (1,721)                   |
|  |       | <hr/>                  | <hr/>                     |
|  |       | 3,362                  | 4,778                     |
|  |       | <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 (Deficiency) (Unaudited)  
(Expressed in Canadian Dollars)

|  | Notes | Common<br>Shares<br># | Share<br>Capital<br>\$ | Share-Based<br>Payment<br>Reserve<br>\$ | Deficit<br>\$ | Total<br>\$ |
|--|-------|-----------------------|------------------------|---|---------------|-------------|
| <b>Balance, January 31, 2013</b>         |       | 13,590,500            | 1,007,228              | 148,182                                 | (1,040,408)   | 115,002     |
| Comprehensive loss for the period        |       | -                     | -                      | -                                       | (53,573)      | (53,573)    |
| Forfeited options                        | 4(c)  | -                     | -                      | (12,815)                                | 12,815        | -           |
| <b>Balance, July 31, 2013</b>            |       | 13,590,500            | 1,007,228              | 135,367                                 | (1,081,166)   | 61,429      |
| Comprehensive loss for the period        |       | -                     | -                      | -                                       | (63,150)      | (63,150)    |
| Forfeited options                        |       | -                     | -                      | (1,029)                                 | 1,029         | -           |
| <b>Balance, January 31, 2014</b>         |       | 13,590,500            | 1,007,228              | 134,338                                 | (1,143,287)   | (1,721)     |
| Share issued pursuant to loan agreements | 3     | 67,800                | 3,340                  | -                                       | -             | 3,340       |
| Comprehensive loss for the period        |       | -                     | -                      | -                                       | (49,961)      | (49,961)    |
| Share-based payments                     | 4(c)  | -                     | -                      | 2,576                                   | -             | 2,576       |
| <b>Balance, July 31, 2014</b>            |       | 13,658,300            | 1,010,568              | 136,914                                 | (1,193,248)   | (45,766)    |

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)

|   | Notes | Three months ended July 31, |                   | Six months ended July 31, |                   |
|---|-------|-----------------------------|-------------------|---------------------------|-------------------|
|   |       | 2014                        | 2013              | 2014                      | 2013              |
|   |       | \$                          | \$                | \$                        | \$                |
| <b>EXPENSES</b>   |       |                             |                   |                           |                   |
| Accounting, audit and legal   |       | 631                         | 516               | 631                       | 516               |
| Depreciation  |       | 77                          | 152               | 155                       | 263               |
| Management fees   | 5(b)  | -                           | 3,000             | -                         | 6,000             |
| Office, rent and administration   | 5(a)  | 15,821                      | 19,473            | 31,648                    | 35,830            |
| Regulatory fees   |       | 3,440                       | 3,295             | 9,425                     | 8,495             |
| Share-based payments  | 5(d)  | -                           | -                 | 2,576                     | -                 |
| Transfer agent and shareholder information                                      |       | 969                         | 1,013             | 1,677                     | 2,221             |
| <b>LOSS BEFORE OTHER ITEM</b>   |       | <b>(20,938)</b>             | <b>(27,449)</b>   | <b>(46,112)</b>           | <b>(53,325)</b>   |
| <b>OTHER ITEM</b>   |       |                             |                   |                           |                   |
| Finance and other costs   | 6     | (3,777)                     | (202)             | (3,849)                   | (248)             |
| <b>NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD</b>                           |       | <b>(24,715)</b>             | <b>(27,651)</b>   | <b>(49,961)</b>           | <b>(53,573)</b>   |
| <b>BASIC AND DILUTED LOSS PER SHARE</b>   |       |                             |                   |                           |                   |
|   |       | <b>(0.002)</b>              | <b>(0.002)</b>    | <b>(0.004)</b>            | <b>(0.004)</b>    |
| <b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC AND DILUTED</b> |       |                             |                   |                           |                   |
|   |       | <b>13,619,241</b>           | <b>13,590,500</b> | <b>13,605,109</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)

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|   | Six Months Ended July 31, |               |
|---|---------------------------|---------------|
|   | 2014                      | 2013          |
|   | \$                        | \$            |
| <b>CASH WAS PROVIDED BY (USED IN)</b>           |                           |               |
| <b>OPERATING ACTIVITIES</b>                     |                           |               |
| Net loss for the period                         | (49,961)                  | (53,573)      |
| Adjustments for non-cash items                  |                           |               |
| Accrued interest                                | 365                       | -             |
| Depreciation                                    | 155                       | 263           |
| Financing fees                                  | 3,340                     | -             |
| Share-based payments                            | 2,576                     | -             |
| Changes in non-cash working capital accounts    |                           |               |
| GST recoverable                                 | -                         | 175           |
| Prepaid expenses and deposits                   | 142                       | (7,391)       |
| Accounts payable and accrued liabilities        | 25,304                    | (13,336)      |
|   | (18,079)                  | (73,862)      |
| <b>FINANCING ACTIVITY</b>                       |                           |               |
| Proceed from loans                              | 16,960                    | -             |
| <b>DECREASE IN CASH AND CASH EQUIVALENTS</b>    | (1,119)                   | (73,862)      |
| Cash and cash equivalents, beginning of period  | 2,007                     | 124,184       |
| <b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b> | <b>888</b>                | <b>50,322</b> |

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

# SPARROW VENTURES CORP.

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

Three and Six Months Ended July 31, 2014 and 2013  
(Unaudited)

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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). Effective June 17, 2014, the Company’s listing was transferred to the NEX board of the TSX Venture Exchange (the “Exchange”) due to the Company failure to maintain the requirements for a TSX Venture Tier 2 company. The Company is currently seeking business opportunities.

The head office, principal address, and records office of the Company are located at Suite 507 – 700 West Pender Street, Vancouver, British Columbia, Canada, V6C 1G8. The Company’s registered office address is located at Suite 700 – 1199 West Hastings Street, Vancouver, British Columbia, Canada, V6E 3T5.

The Company is engaged in the acquisition, exploration, and development of resource properties. 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. Several conditions as set out below cast uncertainties on the Company’s ability to continue as a going concern.

The Company’s ability to continue as a going concern is dependent upon the identification and acquisition of resource properties, financial support from its creditors, shareholders, and related parties, its ability to obtain financing to fund working capital requirements and upon the attainment of future profitable operations.

The Company has not yet achieved profitable operations, has incurred significant operating losses and negative cash flows from operations, and has been reliant on external financing of equity. As at July 31, 2014, the Company has accumulated losses of \$1,193,248 since inception. There is no assurance that the Company will be successful with generating and maintaining profitable operations, or able to secure future debt or equity financing for its working capital and development activities.

These financial statements do not reflect any adjustments to the amounts and classifications of assets and liabilities, which would be necessary should the Company be unable to continue as a going concern.

## 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, 2014.

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, 2014.

These condensed interim financial statements were approved and authorized for issue by the Board of Directors of the Company on September 10, 2014.

## **SPARROW VENTURES CORP.**

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

Three and Six Months Ended July 31, 2014 and 2013  
(Unaudited)

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### **NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **(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, 2014.

### **NOTE 3 – LOANS PAYABLE**

The Company entered into loan agreements dated May 28, 2014 (the "Loans"), with two directors of the Company ("the Lenders") in the total amount of \$16,960. The Loans are unsecured, bear interest at 12% per annum and mature on May 28, 2015. In consideration for the Loans, the Company issued an aggregate of 67,800 common shares to the Lenders at a fair value of \$3,340.

During the six months ended July 31, 2014, the Company paid or accrued \$365 in interest on the Loans.

### **NOTE 4 – SHARE CAPITAL**

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

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

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

At July 31, 2014, there were 13,658,300 issued and fully paid common shares (January 31, 2014 – 13,590,500).

#### **(c) 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 of 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.

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.



## SPARROW VENTURES CORP.

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

Three and Six Months Ended July 31, 2014 and 2013  
(Unaudited)

### NOTE 4 – SHARE CAPITAL (Continued)

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

A summary of the status of the options outstanding is as follows:

|  | Options<br>#             | Weighted<br>Average<br>Exercise Price<br>\$ |
|--|--------------------------|---|
| <b>Balance, January 31, 2013</b>                   | 1,349,000                | 0.05  |
| Cancelled  | (125,000) <sup>(i)</sup> | 0.05  |
| <b>Balance, July 31, 2013</b>                      | 1,224,000                | 0.05  |
| Cancelled  | (10,000)                 | 0.05  |
| <b>Balance, July 31, 2014 and January 31, 2014</b> | <b>1,214,000</b>         | <b>0.05</b>                                 |

<sup>(i)</sup> During the six months ended July 31, 2013, the fair value of 125,000 cancelled options of \$12,815 was reclassified from reserves to deficit.

The following table summarizes the stock options outstanding as at July 31, 2014:

| Exercise<br>Price<br>\$ | Options<br>Outstanding<br># | Expiry Date     | Options<br>Exercisable<br># |
|-------------------------|-----------------------------|-----------------|-----------------------------|
| 0.05 <sup>(i)</sup>     | 760,000                     | May 21, 2018    | 760,000                     |
| 0.05 <sup>(i)</sup>     | 100,000                     | August 31, 2020 | 100,000                     |
| 0.05 <sup>(i)</sup>     | 34,000                      | October 7, 2020 | 34,000                      |
| 0.05 <sup>(i)</sup>     | 320,000                     | May 27, 2021    | 320,000                     |
|                         | <b>1,214,000</b>            |                 | <b>1,214,000</b>            |

<sup>(i)</sup> During the six months ended July 31, 2014, the exercise price of these options were repriced to \$0.05.

During the six months ended July 31, 2014, the Company amended the terms of an aggregate of 1,214,000 stock options previously granted to employees, directors and consultants of the Company. These options had original exercise prices ranging from \$0.10 to \$0.12 per share with expiry dates between May 21, 2018 to May 27, 2022 and were amended to have an exercise price of \$0.05 per share.

The repricing of insiders' options is subject to the approval of disinterested shareholders at the Company's annual general meeting and the acceptance for filing by the Exchange. The repricing of non-insider options resulted in the recognition of additional share-based payments of \$2,576 during the six months ended July 31, 2014.

# SPARROW VENTURES CORP.

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

Three and Six Months Ended July 31, 2014 and 2013  
(Unaudited)

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## NOTE 4 – SHARE CAPITAL (Continued)

### (d) Charitable options

As at July 31, 2014, the Company has 105,000 outstanding charitable stock options exercisable at \$0.10 and expire on May 26, 2018.

## 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 July 31, |        | Six months ended July 31, |        |
|--|-----------------------------|--------|---------------------------|--------|
|  | 2014                        | 2013   | 2014                      | 2013   |
|  | \$                          | \$     | \$                        | \$     |
| Office, rent and administration expense <sup>(i)</sup> | 15,750                      | 18,300 | 31,500                    | 32,800 |

<sup>(i)</sup> Of these fees, \$9,000 (2013 - \$11,500) was allocated to the services of the CFO of the Company (Note 5(b)(i)).

### (b) Compensation of Key Management Personnel

The remuneration of directors and other members of key management personnel during the six months ended July 31, 2014 and 2013 were as follows:

|                                    | Three months ended July 31, |       | Six months ended July 31, |        |
|------------------------------------|-----------------------------|-------|---------------------------|--------|
|                                    | 2014                        | 2013  | 2014                      | 2013   |
|                                    | \$                          | \$    | \$                        | \$     |
| Short-term benefits <sup>(i)</sup> | 4,500                       | 9,000 | 9,000                     | 17,500 |

<sup>(i)</sup> Short-term benefits include salaries and management fees paid directly to key management.

### (c) Related Party Balances

The following related party amounts were included in (i) accounts payable and accrued liabilities and (ii) prepaid expenses and deposits:

|   | July 31,<br>2014 | January 31,<br>2014 |
|---|------------------|---------------------|
|   | \$               | \$                  |
| Company having directors in common (i)  | 31,500           | -                   |
| Company having directors in common (ii) | 1,500            | 1,500               |
|   | <u>33,000</u>    | <u>1,500</u>        |

## **SPARROW VENTURES CORP.**

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

Three and Six Months Ended July 31, 2014 and 2013  
(Unaudited)

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### **NOTE 6 – FINANCE AND OTHER COSTS**

|                           | Three months ended July 31, |            | Six months ended July 31, |            |
|---------------------------|-----------------------------|------------|---------------------------|------------|
|                           | 2014                        | 2013       | 2014                      | 2013       |
|                           | \$                          | \$         | \$                        | \$         |
| Financing fees (Note 4)   | 3,340                       | -          | 3,340                     | -          |
| Interest expense (Note 4) | 365                         | -          | 365                       | -          |
| Bank charges              | 72                          | 202        | 144                       | 248        |
|                           | <u>3,777</u>                | <u>202</u> | <u>3,849</u>              | <u>248</u> |