

SPARROW VENTURES CORP.

Condensed Interim Financial Statements (Unaudited)

Three and Nine Months Ended October 31, 2014 and 2013

(Expressed in Canadian Dollars)

SPARROW VENTURES CORP.

(the “Company”)

CONDENSED INTERIM FINANCIAL STATEMENTS

Three and nine months ended October 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.

December 16, 2014

SPARROW VENTURES CORP.

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

	Notes	October 31, 2014 \$	January 31, 2014 \$
ASSETS			
CURRENT			
Cash		311	2,007
Prepaid expenses and deposits	5(c)	1,524	1,736
		1,835	3,743
Equipment		802	1,035
		2,637	4,778
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities	5(c)	48,736	6,499
Loans payable	3	17,854	-
		66,590	6,499
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share capital	4	1,010,568	1,007,228
Share-based payment reserve		93,950	134,338
Deficit		(1,168,471)	(1,143,287)
		(63,953)	(1,721)
		2,637	4,778

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 Shares #	Share Capital \$	Share-Based Payment Reserve \$	Deficit \$	Total \$
Balance, January 31, 2013		13,590,500	1,007,228	148,182	(1,040,408)	115,002
Comprehensive loss for the period		-	-	-	(88,514)	(88,514)
Forfeited options	4(c)	-	-	(12,815)	12,815	-
Balance, October 31, 2013		13,590,500	1,007,228	135,367	(1,116,107)	26,488
Comprehensive loss for the period		-	-	-	(28,209)	(28,209)
Forfeited options		-	-	(1,029)	1,029	-
Balance, January 31, 2014		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		-	-	-	(85,075)	(85,075)
Forfeited options	4(c)	-	-	(59,891)	59,891	-
Share-based payments	4(c)	-	-	19,503	-	19,503
Balance, October 31, 2014		13,658,300	1,010,568	93,950	(1,168,471)	(63,953)

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 months ended October 31,		Nine months ended October 31,	
	Notes	2014	2013	2014	2013
		\$	\$	\$	\$
EXPENSES					
Accounting, audit and legal		1,116	-	1,747	516
Consulting fees		-	5,000	-	5,000
Depreciation		78	70	233	333
Management fees	5(b)	-	2,000	-	8,000
Office, rent and administration	5(a)	15,821	24,864	47,469	60,694
Regulatory fees		(104)	-	9,321	8,495
Share-based payments	4(c)	16,927	-	19,503	-
Transfer agent and shareholder information		721	3,003	2,398	5,224
LOSS BEFORE OTHER ITEM		<u>(34,559)</u>	<u>(34,937)</u>	<u>(80,671)</u>	<u>(88,262)</u>
OTHER ITEM					
Finance and other costs	6	<u>(555)</u>	<u>(4)</u>	<u>(4,404)</u>	<u>(252)</u>
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD		<u>(35,114)</u>	<u>(34,941)</u>	<u>(85,075)</u>	<u>(88,514)</u>
BASIC AND DILUTED LOSS PER SHARE					
		<u>(0.003)</u>	<u>(0.003)</u>	<u>(0.006)</u>	<u>(0.007)</u>
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC AND DILUTED					
		<u>13,658,300</u>	<u>13,590,500</u>	<u>13,623,034</u>	<u>13,590,500</u>

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,	
	2014	2013
	\$	\$
CASH WAS PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Net loss for the period	(85,075)	(88,514)
Adjustments for non-cash items		
Accrued interest	894	-
Depreciation	233	333
Financing fees	3,340	-
Share-based payments	19,503	-
Changes in non-cash working capital accounts		
GST recoverable	-	(1,450)
Prepaid expenses and deposits	212	(75)
Accounts payable and accrued liabilities	42,237	(12,216)
	(18,656)	(101,922)
FINANCING ACTIVITY		
Proceed from loans	16,960	-
DECREASE IN CASH AND CASH EQUIVALENTS	(1,696)	(101,922)
Cash and cash equivalents, beginning of period	2,007	124,184
CASH AND CASH EQUIVALENTS, END OF PERIOD	311	22,262

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 Nine Months Ended October 31, 2014 and 2013
(Unaudited)

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 significant doubt 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 October 31, 2014, the Company has accumulated losses of \$1,168,471 since inception. There is no assurance that the Company will be successful in 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”). 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 audited 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 December 16, 2014.

SPARROW VENTURES CORP.

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

Three and Nine Months Ended October 31, 2014 and 2013
(Unaudited)

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 nine months ended October 31, 2014, the Company paid or accrued \$894 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 October 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 30th 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
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Three and Nine Months Ended October 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 #	Weighted Average Exercise Price \$
Balance, January 31, 2013	1,349,000	0.05
Cancelled	(125,000) ⁽ⁱ⁾	0.05
Balance, October 31, 2013	1,224,000	0.05
Cancelled	(10,000)	0.05
Balance, January 31, 2014	1,214,000	0.05
Granted	760,000	0.05
Cancelled	(760,000) ⁽ⁱⁱ⁾	0.05
Balance, October 31, 2014	1,214,000	0.05

(i) During the nine months ended October 31, 2013, the fair value of 125,000 cancelled options of \$12,815 was reclassified from reserves to deficit.

(ii) During the nine months ended October 31, 2014, the fair value of 760,000 cancelled options of \$59,891 was reclassified from reserves to deficit.

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

Exercise Price \$	Options Outstanding #	Expiry Date	Options Exercisable #
0.05 ⁽ⁱ⁾	100,000	August 31, 2020	100,000
0.05 ⁽ⁱ⁾	34,000	October 7, 2020	34,000
0.05 ⁽ⁱ⁾	320,000	May 27, 2021	320,000
0.05	760,000	June 18, 2024	760,000
	1,214,000		1,214,000

(i) During the nine months ended October 31, 2014, the exercise price of these options was repriced to \$0.05 per share.

During the nine months ended October 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 and May 27, 2022 and were amended to have an exercise price of \$0.05 per share.

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Three and Nine Months Ended October 31, 2014 and 2013
(Unaudited)

NOTE 4 – SHARE CAPITAL (Continued)

(c) Share-Based Payments (Continued)

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 nine months ended October 31, 2014.

During the nine months ended October 31, 2014, the Company recorded share-based payments of \$16,927 (2013 – \$nil) for stock options granted and vested during the period.

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

	2014	2013
Risk free interest rate	1.98%	-
Expected dividend yield	0%	-
Expected stock price volatility	111.8%	-
Expected life (in years)	5 years	-

The weighted average fair value of options granted during the nine months ended October 31, 2014 was \$0.02 per option.

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.

(d) Charitable options

As at October 31, 2014, the Company has 105,000 outstanding charitable stock options exercisable at \$0.10 which 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 October 31,		Nine months ended October 31,	
	2014	2013	2014	2013
	\$	\$	\$	\$
Office, rent and administration expense	15,750	23,200	47,250	56,000
Legal fees	1,447	-	1,447	339
	<u>17,197</u>	<u>23,200</u>	<u>48,697</u>	<u>56,339</u>

SPARROW VENTURES CORP.

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

Three and Nine Months Ended October 31, 2014 and 2013
(Unaudited)

NOTE 5 – RELATED PARTY TRANSACTIONS (Continued)

(b) Compensation of Key Management Personnel

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

	Three months ended October 31,		Nine months ended October 31,	
	2014	2013	2014	2013
	\$	\$	\$	\$
Short-term benefits ⁽ⁱ⁾	4,500	8,000	13,500	25,500
Share-based payment ⁽ⁱⁱ⁾	14,700	-	14,700	-
	<u>19,200</u>	<u>8,000</u>	<u>28,200</u>	<u>25,500</u>

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

⁽ⁱⁱ⁾ Share-based payments represent the fair value of options granted and vested to key management personnel under the Company's stock option plan (Note 4(d)).

(c) Related Party Balances

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

	October 31,	January 31,
	2014	2014
	\$	\$
Company having directors in common (i)	47,250	-
Company having directors in common (ii)	<u>1,500</u>	<u>1,500</u>
	<u>48,750</u>	<u>1,500</u>

NOTE 6 – FINANCE AND OTHER COSTS

	Three months ended October 31,		Nine months ended October 31,	
	2014	2013	2014	2013
	\$	\$	\$	\$
Financing fees (Note 4)	-	-	3,340	-
Interest expense (Note 4)	529	-	894	-
Bank charges	26	4	170	252
	<u>555</u>	<u>4</u>	<u>4,404</u>	<u>252</u>