

# **SPARROW VENTURES CORP.**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
Three and Nine Months Ended October 31, 2015 and 2014

# SPARROW VENTURES CORP.

Management's Discussion & Analysis

Three and Nine Months Ended October 31, 2015 and 2014

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Sparrow Ventures Corp. (the "Company") is a natural resource company currently engaged in the acquisition, exploration and development of mineral properties. The Company currently does not hold any mineral property interests and continues to actively evaluate new potential projects. The Company is listed for trading on the NEX board of the TSX Venture Exchange under the symbol "SPW.H".

This management's discussion and analysis ("MD&A") reports on the operating results and financial condition of the Company for the nine months ended October 31, 2015, and is prepared as of December 12, 2016, in accordance with International Financial Reporting Standards ("IFRS"). The MD&A should be read in conjunction with the Company's unaudited condensed interim financial statements and related notes for the three and nine months ended October 31, 2015, and 2014 and audited financial statements for the years ended January 31, 2015, and 2014, which were prepared in accordance with IFRS.

All dollar amounts referred to in this MD&A are expressed in Canadian dollars except where indicated otherwise.

## **Cautionary Note Regarding Forward-Looking Information**

This document may contain "forward-looking information" within the meaning of Canadian securities legislation ("forward-looking statements"). These forward-looking statements are made as of the date of this document and Company does not intend, and does not assume any obligation, to update these forward-looking statements, except as required under applicable securities legislation.

Forward-looking statements relate to future events or future performance and reflect Company management's expectations or beliefs regarding future events and include, but are not limited to, statements with respect to the timing and implementation of the proposed transaction with Far West, estimation of mineral reserves and mineral resources, the realization of mineral reserve estimates, the timing and amount of estimated future production, costs of production, capital expenditures, success of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims and limitations on insurance coverage. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved" or the negative of these terms or comparable terminology. In this document, certain forward-looking statements are identified by words including "may", "future", "expected", "intends" and "estimates". By their very nature forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, risks related to actual results of current exploration activities; changes in project parameters as plans continue to be refined; future prices of resources; possible variations in ore reserves, grade or recovery rates; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities; as well as those factors detailed from time to time in the Company's interim and annual financial statements and management's discussion and analysis of those statements, all of which are filed and available for review under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com). Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. The Company provides no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

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## **Risks and Uncertainties**

The Company is in the business of acquiring, exploring and, if warranted, developing and exploiting natural resource properties. Due to the nature of the Company's business, the following risk factors, among others, will apply:

***Mining Industry is Intensely Competitive:*** The Company's business of the acquisition, exploration and development of mineral properties is intensely competitive. The Company may be at a competitive disadvantage in acquiring additional mining properties because it must compete with other individuals and companies, many of which have greater financial resources, operational experience and technical capabilities than the Company. Increased competition could adversely affect the Company's ability to attract necessary capital funding or acquire suitable producing properties or prospects for mineral exploration in the future.

***No Assurance of Profitability:*** The Company has no history of earnings and, due to the nature of its proposed business, there can be no assurance that the Company will ever be profitable. The Company has not paid dividends on its shares since incorporation and does not anticipate doing so in the foreseeable future. The only present source of funds available to the Company is from the sale of its common shares. While the Company may generate additional working capital through further equity offerings, there can be no assurance that any such funds will be available on favourable terms, or at all. Failure to raise such additional capital could put the continued viability of the Company at risk.

***Financial statements have been prepared assuming the Company will continue on a going concern basis:*** The financial statements have been prepared on the basis that it will continue as a going concern. At October 31, 2015, the Company had a working capital deficit of \$50,879 as compared to a working capital deficit of \$33,795 as at January 31, 2015. The Company does not presently have sufficient financial resources to undertake mineral property acquisitions and to fund general corporate obligations for the next twelve months. If the Company is unable to obtain adequate additional financing, it will not be able to acquire an asset or mineral property and maintain an active business. Furthermore, failure to continue as a going concern would require that the Company's assets and liabilities be restated on a liquidation basis which would likely differ significantly from their going concern assumption carrying values.

***Dependence Upon Others and Key Personnel:*** The Company is dependent upon the services of key executives, including the directors of the Company and a small number of highly skilled and experienced executives and personnel. Due to the relatively small size of the Company, the loss of these persons or the inability of the Company to attract and retain additional highly-skilled employees may adversely affect its business and future operations.

***Share Price Volatility:*** In recent years, the securities markets have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered exploration stage companies, have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that significant fluctuations in the trading price of the Company's common shares will not occur, or that such fluctuations will not materially adversely impact on the Company's ability to raise equity funding without significant dilution to its existing shareholders, or at all.

***Financing Risks:*** The Company has limited financial resources, has no source of operating cash flow and has no assurance that additional funding will be available to it to fund working capital requirements. Although the Company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that it will be able to obtain adequate financing in the future or that the terms of such financing will be

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favourable. Failure to obtain such additional financing could result in the Company not being able to acquire an asset or mineral property and maintain an active business.

***Dilution to the Company's existing shareholders:*** The Company will require additional equity financing to be raised in the future. The Company may issue securities on less than favourable terms to raise sufficient capital to fund its business plan. Any transaction involving the issuance of equity securities or securities convertible into common shares would result in dilution, possibly substantial, to present and prospective holders of common shares.

## **Summary of Quarterly Information**

Below are selected financial information from continuing operations for the most recent eight quarters (unaudited). The quarter results presented in the table below were prepared in accordance with IFRS.

Quarter ended	Finance Income	Income (Loss)	Earnings (Loss)
	\$	\$	per share
October 31, 2015	-	(2,468)	-
July 31, 2015	-	(13,032)	(0.001)
April 30, 2015	-	(1,584)	-
January 31, 2015	-	25,344	0.002
October 31, 2014	-	(35,114)	(0.002)
July 31, 2014	-	(24,715)	(0.002)
April 30, 2014	-	(25,246)	(0.002)
January 31, 2014	-	(28,209)	(0.003)

There are no general trends regarding the Company's quarterly results. Quarterly results may vary significantly depending mainly on the Company's current business activities or whether the Company granted any stock options. These factors may account for material variations in the Company's quarterly net losses and are not predictable. The grant of stock options can have a material effect on the quarterly results as it results in share-based compensation charges when they arise.

General and administrative costs tend to be quite similar from period to period, except in certain cases when there is an increase in corporate activities. The variation in income is related solely to the interest earned on funds held by the Company, which is dependent upon the success of the Company in raising the required financing for its activities which will vary with overall market conditions, and is therefore difficult to predict.

## **Results of Operations**

### ***Three months ended October 31, 2015 compared with the three months ended October 31, 2014***

During the three months ended October 31, 2015, the Company reported a net loss of \$2,468 as compared to a net loss of \$35,114 during the same period in the prior fiscal year, representing a decrease in loss of \$32,646.

Expenses for the three months ended October 31, 2015, were \$34,559 compared to \$1,768 for the three months ended October 31, 2014, for a decrease of \$32,791. This was due to a decrease in office, rent and administration costs of \$15,803 that were charged by a related company during the three months ended October 31, 2014. During the three months ended October 31, 2015, the Company was unable to carry on normal operations due to a lack of

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funds and therefore no administrative expenses were incurred. This decrease was also due to a decrease in share-based payments of \$16,927. Share-based payments were \$Nil for the three months ended October 31, 2015, compared to \$16,927 for the comparable period in 2014. No options were granted or vested during the current quarter.

Finance and other costs were \$700 for the three months ended October 31, 2015, compared to \$555 during the three months ended October 31, 2014.

For the three months ended October 31, 2015, the Company has had no active operations. There is no source of operating income and losses are expected to continue. Net loss, quarter over quarter, is affected by the level of general corporate activity and project evaluation undertaken during the period.

## *Nine months ended October 31, 2015 compared with the nine months ended October 31, 2014*

During the nine months ended October 31, 2015, the Company reported a net loss of \$17,084 as compared to a net loss of \$85,075 during the same period in the prior fiscal year, representing a decrease in loss of \$67,991.

Expenses for the nine months ended October 31, 2015, were \$15,061 compared to \$80,671 for the nine months ended October 31, 2014, representing a decrease of \$65,610. This was largely due to a decrease in office, rent and administration costs of \$47,469 that were charged by a related company during the nine months ended October 31, 2014, as well as a decrease in share based compensation of \$19,503. During the nine month period ending October 31, 2015, the Company was unable to raise the funds necessary to carry on normal operations and therefore very few administrative expenses were incurred. The decrease in expenses is also related to a decrease in share-based payments. Share-based payments were \$Nil for the nine month period ending October 31, 2015, compared to \$19,503 for the comparable period in the prior year. No options were granted or vested during the nine month period ending October 31, 2015.

Finance and other costs were \$2,023 during the nine months ended October 31, 2015, compared to \$4,404 during the nine months ended October 31, 2014. During the nine months ended October 31, 2014, the Company issued 67,800 bonus shares at a value of \$3,340 that was expensed as financing costs in consideration for a \$16,960 loan from one current director and one former director of the Company. No such cost was incurred during the current period.

For the nine months ended October 31, 2015, the Company has had no active operations. There is no source of operating income and losses are expected to continue. Net loss, quarter over quarter, is affected by the level of general corporate activity and project evaluation undertaken during the period.

## **Liquidity and Capital Resources**

The Company has no revenue generating operations from which it can internally generate funds. The Company has financed its operations and met its capital requirements primarily through short-term loans, the issuance of capital stock by way of private placements and the exercise of share purchase warrants previously issued.

As at October 31, 2015, the Company reported a working capital deficit of \$50,879 as compared to a working capital deficit of \$33,795 as at January 31, 2015, representing a decrease in working capital of \$17,084. Cash on hand decreased by \$90 from \$285 at January 31, 2015, to \$195 at October 31, 2015.

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As of the date of this MD&A, financing for the Company's operations is also potentially available through the exercise of vested stock options (See "Summary of Outstanding Share Date"), however, there can be no assurance that any of these outstanding convertible securities will be exercised, particularly if the trading price of the common shares on the TSX Venture Exchange does not exceed, by an material amount and for a reasonable period, the exercise price of such convertible securities at some time prior to their expiry dates.

The Company needs to raise additional capital to fund its anticipated ongoing operations through the next twelve months. Although the Company has previously been successful in raising the funds required for its operations, there can be no assurance that the Company will have sufficient financing to meet its future capital requirements or that additional financing will be available on terms acceptable to the Company in the future.

The Company entered into loan agreements dated May 28, 2014, with two directors of the Company ("the Lenders") in the total amount of \$20,326. The loans are unsecured, bear interest at 12% per annum and mature on November 28, 2015. In consideration for the loan, the Company issued an aggregate of 67,800 common shares to the Lenders at a fair value of \$3,390.

## Partial Revocation of Cease Trade Order

On August 15, 2016, the British Columbia Securities Commission issued a partial revocation order (the "Partial Revocation Order") in respect of its cease trade order dated October 6, 2015 (the "Cease Trade Order") issued for the failure of the Company to file certain of its periodic continuous disclosure filings including its interim and annual financial statements and Management's Discussion and Analysis from and after the period ended July 31, 2015, as required by National Instrument 51-102 - *Continuous Disclosure Obligations*.

Pursuant to the Partial Revocation Order, the Company has undertaken a non-brokered private placement of secured convertible debentures to B.C. or offshore subscribers only, for gross proceeds of up to \$250,000 in order to hold its annual general meeting, effect a 10-to-1 consolidation of the common shares of the Company, prepare and file all outstanding continuous disclosure records, and provide sufficient working capital to continue its operations until it can apply for a full revocation of the Cease Trade Order and the cease trade order issued by the Ontario Securities Commission on October 26, 2015.

## Reinstatement of Transfer Agency Services

Effective September 20, 2016, transfer agency services for the Company as provided by Computershare Trust Company of Canada were reinstated.

## Secured Convertible Debenture Offering

On October 3, 2016, the Company announced the closing of the first tranche of its non-brokered private placement of secured convertible debentures (the "Debentures") (the "Private Placement") in the amount of \$28,754, of a total of up to \$250,000.

The Debentures mature 24 months from the date of issue, accrue interest at a rate of 11% per year and are convertible into units of the Company (each, a "Unit") at a per Unit conversion price equal to the 10-day post-consolidated average closing price of the common shares of the Company on the NEX following the resumption of trading subject to a \$0.05 minimum (the "Conversion Price"). Each Unit is comprised of one common share and one common share purchase warrant (each, a "Warrant") of the Company. Each Warrant entitles the holder to acquire one additional common share of the Company at an exercise price equal to the Conversion Price.

The holders of the Debentures of the Private Placement received a copy of the cease trade orders presently in effect and a copy of the Partial Revocation Order in accordance with the terms of the Partial Revocation Order received by the Company. The Company's obligations under the Debentures are secured by a general security agreement.

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## Summary of Outstanding Share Data

The Company is authorized to issue an unlimited number of common shares. As at December 12, 2016, there were 13,658,300 shares issued and outstanding.

The following stock options and charitable options were outstanding as at December 12, 2016:

Number of shares	Exercise price per share	Expiry date	Exercisable
60,000	\$0.05	May 27, 2021	60,000
330,000	\$0.05	June 17, 2024	330,000
390,000			390,000

As at December 12, 2016, the Company has 105,000 outstanding charitable options exercisable at \$0.10 which expire on May 26, 2018.

## Transaction with Related Parties

During the nine months ended October 31, 2015, the Company has entered into certain transactions with related parties. These transactions are in the normal course of business operations and are measured at the exchange amount, which is the amount of consideration established and agreed upon by the related parties.

A description of the related party transactions is as follows:

Name and Relationship to Company	Transaction	Three months ended October 31,		Nine months ended October 31,	
		2015 \$	2014 \$	2015 \$	2014 \$
Avarone Metals Inc. (formerly Remstar Resources Ltd.), a company with a common director and a common officer	Office, rent and administration <sup>(1)</sup>	-	15,750	-	47,250

Included in accounts payable and accrued liabilities is the amount of \$1,116 (January 31, 2015 - \$1,116) due to companies controlled by directors and an office of the Company.

## Critical Accounting Estimates

In the application of the Company's accounting policies which are described in Note 2 of the Company's annual financial statements as at and for the year ended January 31, 2015, management is required to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

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Significant judgments, estimates and assumptions that have the most significant effect on the amounts recognized in the financial statements relate to share based compensation and deferred tax assets.

## **Accounting Standards Issued But Not Yet Effective**

There were no new standards effective February 1, 2015 that had an impact on the Company's financial statements. The following IFRS standard has been recently issued by the IASB or the IFRIC. Pronouncements that are not applicable or do not have a significant impact to the Company have been excluded herein. The Company is assessing the impact of this new standard, but does not expect it to have a significant effect on the financial statements.

### **IFRS 9, Financial Instruments**

The IASB has issued a new standard, IFRS 9, "Financial Instruments" ("IFRS 9"), which will replace IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). IFRS 9 will replace the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortized cost and fair value. The new standard also requires a single impairment method to be used, provides additional guidance on the classification and measurement of financial liabilities, and provides a new general hedge accounting standard.

The mandatory effective date has tentatively been set for January 1, 2018, however early adoption of the new standard is permitted. The Company currently does not intend to early adopt IFRS 9. The adoption of IFRS 9 is currently not expected to have a material impact on the financial statements as the classification and measurement of the Company's financial instruments is not expected to change given of the nature of the Company's operations and the types of financial instruments that it currently holds.

### **Financial Instruments and Other Instruments**

#### (a) Fair value of financial instruments

The Company's financial instruments consist of cash and accounts payable and accrued liabilities. The carrying values of these financial instruments approximate their fair values because of their short term nature and/or the existence of market related interest rates on the instruments. These estimates are subjective and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Cash is classified as loans and receivables and is carried at its amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities and are carried at their amortized cost.

Financial instruments measured at fair value are classified into one of the three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of hierarchy are:

- Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; and
- Level 3 Inputs for the asset or liability that are not based on observable market data.

The Company has no financial instrument assets or liabilities recorded in the statements of financial position at fair value at October 31, 2015 and January 31, 2015.



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(b) Financial instruments risk

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet the obligations associated with its financial liabilities. The Company manages liquidity risk through the management of its capital structure, as outlined in Note 10(b) of the Company's financial statements for the year ended January 31, 2015. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due.

The Company is dependent on the availability of credit from its suppliers and its ability to generate sufficient funds from equity and debt financing to meet current and future obligations. There can be no assurance that such financing will be available on terms acceptable to the Company. See note 1 to the Company's financial statements for the nine months ended October 31, 2015, for a full disclosure on liquidity.

**Additional Information**

Additional information relating to Sparrow Ventures Corp. can be accessed under the Company's public filings found at [www.sedar.com](http://www.sedar.com).