

SPARROW VENTURES CORP.

Financial Statements

Years Ended January 31, 2017 and 2016

(Expressed in Canadian Dollars)

- Independent Auditors' Report
- Statements of Financial Position
- Statements of Changes in Shareholders' Deficiency
- Statements of Comprehensive Loss
- Statements of Cash Flows
- Notes to the Financial Statements

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Sparrow Ventures Corp.

We have audited the accompanying financial statements of Sparrow Ventures Corp. which comprise the statement of financial position as at January 31, 2017 and 2016, and the statements of financial position, changes in equity, comprehensive loss, and cash flows for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Sparrow Ventures Corp. as at January 31, 2017 and 2016, and its financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates the existence of a material uncertainty that may cast significant doubt on the ability of Sparrow Ventures Corp. to continue as a going concern.

"JACKSON & COMPANY"

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, British Columbia
May 30, 2017

SPARROW VENTURES CORP.

Statements of Financial Position
(Expressed in Canadian Dollars)

	Note	January 31, 2017 \$	January 31, 2016 \$
ASSETS			
CURRENT			
Cash		301	176
GST recoverable		8,923	1,660
		<u>9,224</u>	<u>1,836</u>
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities		166,611	33,147
Loans payable	5	<u>51,448</u>	<u>24,557</u>
		218,059	57,704
Convertible debentures	6	<u>44,580</u>	-
		262,639	57,704
SHAREHOLDERS' DEFICIENCY			
Share capital	7	1,010,618	1,010,618
Equity component	6	6,584	-
Share-based payment reserve		98,714	98,714
Deficit		<u>(1,369,331)</u>	<u>(1,165,200)</u>
		<u>(253,415)</u>	<u>(55,868)</u>
		<u>9,224</u>	<u>1,836</u>

Nature of operations and going concern (Note 1)
Subsequent events (Note 13)

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

Approved on behalf of the board:

“Marc Morin”
Marc Morin, Director

“Michael Young”
Michael Young, Director

SPARROW VENTURES CORP.

Statements of Changes in Shareholders' Deficiency (Expressed in Canadian Dollars)

	Note	Number of Common Shares	Share Capital \$	Share-Based Payment Reserve \$	Deficit \$	Total \$
Balance, January 31, 2015		13,658,300	1,010,618	98,714	(1,143,127)	(33,795)
Comprehensive loss for the year		-	-	-	(22,073)	(22,073)
Balance, January 31, 2016		13,658,300	1,010,618	98,714	(1,165,200)	(55,868)
Equity component of convertible debentures	6	-	-	6,584	-	6,584
Comprehensive loss for the year		-	-	-	(204,131)	(204,131)
Balance, January 31, 2017		13,658,300	1,010,618	105,298	(1,369,331)	(253,415)

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

SPARROW VENTURES CORP.

Statements of Comprehensive Loss

For the Years Ended January 31, 2017 and 2016

(Expressed in Canadian Dollars)

	Note	2016	2016
EXPENSES			
Accounting, audit and legal		35,210	8,000
Consulting fees	8	122,833	-
Directors fees	8	2,500	-
Office, rent and administration		269	118
Regulatory fees		32,062	9,360
Transfer agent and shareholder information		5,961	1,851
LOSS BEFORE OTHER ITEMS		(198,835)	(19,329)
OTHER ITEMS			
Finance and other costs	9	(5,296)	(2,744)
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR		(204,131)	(22,073)
BASIC AND DILUTED LOSS PER SHARE			
		(0.02)	(0.00)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUSTANDING – BASIC AND DILUTED			
		13,658,300	13,658,300

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

SPARROW VENTURES CORP.

Statements of Cash Flows

For the Years Ended January 31, 2017 and 2016

(Expressed in Canadian Dollars)

	2017	2016
	\$	\$
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Net loss for the year	(204,131)	(22,073)
Non-cash items		
Finance and other costs	5,296	2,744
Changes in non-cash working capital accounts		
GST recoverable	(7,263)	(1,227)
Accounts payable and accrued liabilities	133,464	20,447
	<u>(72,634)</u>	<u>(109)</u>
FINANCING ACTIVITY		
Proceeds from loans	23,800	-
Proceeds from convertible debentures	48,959	-
	<u>72,759</u>	<u>-</u>
INCREASE (DECREASE) IN CASH	125	(109)
Cash, beginning of year	176	285
CASH, END OF YEAR	<u>301</u>	<u>176</u>

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

SPARROW VENTURES CORP.

Notes to the Financial Statements

January 31, 2017 and 2016

(Expressed in Canadian Dollars)

NOTE 1 – NATURE OF OPERATIONS AND GOING CONCERN

Sparrow Ventures Corp. (the “Company”) was incorporated on July 4, 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’s failure to maintain the requirements for a TSX Venture Tier 2 company. Effective June 29, 2015, trading in the shares of the Company was suspended due to the Company’s failure to maintain the services of a transfer agent in accordance with the policies of the Exchange. In addition, effective October 6, 2015, and October 26, 2015, the British Columbia Securities Commission and the Ontario Securities Commission, respectively, issued cease trade orders that all trading in the securities of the Company cease until it files all necessary continuous disclosure records. These cease trade orders were subsequently revoked in February 2017 after the Company filed all requisite continuous disclosure documents in December 2016. (See Note 13).

The head office, principal address, and records office of the Company are located at Suite 610, 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 accompanying financial statements have been prepared assuming that the Company will continue as a going concern, meaning that it will continue in operation in foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. The Company does not yet earned revenues and has no source of capital beyond capital raised. If the Company is unable to raise sufficient capital required, it will likely be unable to continue operations. These conditions raise substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might result should the Company be unable to continue as a going concern.

As at January 31, 2017, the Company has accumulated losses of \$1,369,331 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.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

The financial statements were authorized for issue on May 29, 2017, by the Directors of the Company. The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Basis of Presentation

These financial statements have been prepared on a historical cost basis in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board.

(b) Functional and Presentation of Foreign Currency

The functional currency and presentation currency of the Company is the Canadian dollar.

SPARROW VENTURES CORP.

Notes to the Financial Statements

January 31, 2017 and 2016

(Expressed in Canadian Dollars)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Equipment and Depreciation

Equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses.

Depreciation is calculated on a declining-balance basis to write off the cost of the assets to their residual values over their estimated useful lives. The depreciation rate applicable to equipment is 30%.

(d) Share Capital

Share Capital includes cash consideration received for share issuances. The proceeds from the exercise of stock options or warrants together with amounts previously recorded over the vesting periods are recorded as share capital. Common Shares issued for non-monetary consideration is recorded at an amount based on their fair market value on the date of issue. Incremental costs directly attributable to the issuance of common shares are recognized as a deduction from equity.

(e) Share-Based Payments

The Company operates an employee stock option plan.

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods.

Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the share-based payment reserve.

The fair value of options is determined using the Black–Scholes option pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. Amounts recorded for forfeited or expired unexercised options are reversed in the period the forfeiture occurs.

Upon the exercise of stock options, consideration received on the exercise of these equity instruments is recorded as share capital and the related share-based payment reserve is transferred to share capital.

(f) Income Taxes

Tax expense recognized in profit or loss comprises the sum of current and deferred taxes not recognized in other comprehensive income or directly in equity.

(i) Current Income Tax

Current income tax assets and/or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting periods that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

SPARROW VENTURES CORP.

Notes to the Financial Statements

January 31, 2017 and 2016

(Expressed in Canadian Dollars)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Income Taxes (Continued)

(ii) Deferred Income Tax

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full.

Deferred tax assets are recognized to the extent that it is probable that they will be utilized against future taxable income. Deferred tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

(g) Loss per Share

The Company calculates basic loss per share using the weighted average number of common shares outstanding during the period. Diluted loss per share is the same as basic loss per share, as the issuance of shares on the exercise of stock options and share purchase warrants is anti-dilutive.

(h) Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument to another entity. Financial assets and financial liabilities are recognized on the statements of financial position at the time the Company becomes a party to the contractual provisions of the financial instrument.

Financial instruments are initially measured at fair value. Measurement in subsequent periods is dependent on the classification of the financial instrument. The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity, available-for-sale, and other financial liabilities.

(i) Financial Assets and Liabilities at Fair Value Through Profit or Loss

Financial assets and liabilities at fair value through profit or loss are either 'held-for-trading' or classified at fair value through profit or loss. They are initially and subsequently recorded at fair value and changes in fair value are recognized in profit or loss for the period. The Company does not have any financial assets and liabilities at fair value through profit or loss.

(ii) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value and subsequently on an amortized cost basis using the effective interest method, less any impairment losses. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets. The Company has designated its cash as loans and receivables.

SPARROW VENTURES CORP.

Notes to the Financial Statements

January 31, 2017 and 2016

(Expressed in Canadian Dollars)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial Instruments (Continued)

(iii) Held-to-Maturity Financial Assets

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are initially recorded at fair value and subsequently measured at amortized cost. The Company does not have any held-to-maturity financial assets.

(iv) Available-For-Sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any other financial asset categories. They are initially and subsequently measured at fair value and the changes in fair value, other than impairment losses are recognized in other comprehensive income (loss) and presented in the fair value reserve in shareholders' equity. When the financial assets are sold or an impairment write-down is required, losses accumulated in the fair value reserve recognized in shareholders' equity are included in profit or loss. The Company does not have any available-for-sale financial assets.

(v) Financial Liabilities at Amortized Cost

Financial liabilities at amortized cost are non-derivative financial liabilities (excluding financial guarantees) that are recorded at the date of obligation at fair value and are subsequently measured at amortized cost using the effective interest method.

The Company's non-derivative financial liabilities are its accounts payable and accrued liabilities and loans payable.

(vi) Other Financial Liabilities

Other financial liabilities are initially measured at fair value less any directly attributable transaction costs and are subsequently measured at amortized cost using the effective interest method. The Company's other financial liabilities are its convertible debentures.

NOTE 3 – SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

In the application of the Company's accounting policies which are described in Note 2, 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.

Significant judgments, estimates, and assumptions that have the most significant effect on the amounts recognized in the financial statements are described below.

SPARROW VENTURES CORP.

Notes to the Financial Statements

January 31, 2017 and 2016

(Expressed in Canadian Dollars)

NOTE 3 – SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

(a) Share-Based Compensation

The Company grants stock options to directors, officers, employees, and consultants of the Company under its incentive stock option plan. The fair value of stock options is estimated using the Black-Scholes option pricing model and are expensed over their vesting periods. In estimating fair value, management is required to make certain assumptions and estimates such as the life of options, volatility, and forfeiture rates. Changes in assumptions used to estimate fair value could result in materially different results.

(b) Deferred Tax Assets

Deferred tax assets, including those arising from un-utilized tax losses, require management to assess the likelihood that the Company will generate sufficient taxable earnings in future periods in order to utilize recognized deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted.

NOTE 4 – ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of new standards, amendments to standards and interpretations applicable to the Company are not yet effective for the period ended January 31, 2017 and have not been applied in preparing these financial statements. The Company is currently considering the possible effects of the new and revised standards which will be effective to the Company's financial statements for the year ending January 31, 2018 or later:

(a) IFRS 9 – Financial Instruments: Classification and Measurement

Classification and measurement applies to classification and measurement of financial assets and liabilities as defined in IAS 39. This amendment is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company does not expect any effect on its financial statements from the adoption of this standard.

(b) IFRS 7 – Financial Instruments: Disclosures

Disclosures amended to require additional disclosure on transition from IAS 39 to IFRS 9. The Company does not expect any effect on its financial statements from the adoption of this standard.

(c) IFRS 16 – Leases

Leases specifies the recognition, measurement, presentation and disclosure of leases. This standard is effective for annual periods beginning on or after January 1, 2019. The Company is currently assessing any effect on its financial statements from the adoption of this standard.

The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its financial statements or whether to early adopt any of the new requirements.

SPARROW VENTURES CORP.

Notes to the Financial Statements

January 31, 2017 and 2016

(Expressed in Canadian Dollars)

NOTE 5 – LOANS PAYABLE

(a) The Company entered into loan agreements dated May 28, 2014 (the “Loans”), with one current director and one former director of the Company (“the Lenders”) in the total principal amount of \$20,326. The Loans are unsecured, bear interest at 12% per annum, and mature on November 28, 2016 (the original maturity date of May 28, 2015 was extended subsequently to November 28, 2016). In consideration for the Loans, the Company issued an aggregate of 67,800 common shares to the Lenders at a fair value of \$3,390 which was recorded as finance cost.

During the year ended January 31, 2017, the Company accrued \$3,091 (2016 - \$2,744) in interest expense on the Loans which remained outstanding as at January 31, 2017.

(b) In December 2016, and January 2017, the Company received \$23,800 in interest free advances from two arms-length parties which will be exchanged for convertible debentures upon the receipt of Exchange approval for tranche three of the Company’s convertible debenture issue (See Note 6 and 13).

NOTE 6 – CONVERTIBLE DEBENTURES

On September 14, 2016 and December 9, 2016, the Company issued the first and second tranches of secured convertible debentures (the “Debentures”) with an aggregate face value of \$48,959 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 Company’s obligations under the Debentures are secured by a general security agreement.

Tranche one of the Debentures matures on September 14, 2018, and tranche two of the Debentures matures on December 9, 2018. Interest on the Debentures is payable on the maturity date.

The Debentures were initially recognized at their face value of \$48,959 less the value of the equity component of \$6,584 for a net amount of \$42,375. Current value includes accrued interest of \$1,564 and an amortized discount of \$642.

The convertible debentures are made up as follows:

	January 31, 2017	January 31, 2016
Equity component	\$ 6,584	\$ -
Liability component, at the date of issuance	42,375	-
Accretion of interest	2,205	-
Liability component, end of year	<u>44,580</u>	<u>-</u>

SPARROW VENTURES CORP.

Notes to the Financial Statements

January 31, 2017 and 2016

(Expressed in Canadian Dollars)

NOTE 7 – 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

As at January 31, 2017, the Company had 13,658,300 issued and fully paid common shares (January 31, 2016 – 13,658,300) outstanding as presented in the statements of changes in shareholders' deficiency.

(c) Stock Options

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 year 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 year of six months after such death, subject to the expiry date of such option.

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

	Number of Options	Weighted Average Exercise Price \$
Balance, January 31, 2015	1,214,000	0.05
Cancelled (i)	(824,000)	0.05
Balance, January 31, 2016 and 2017	390,000	0.05

(i) During the year ended January 31, 2016, 824,000 stock options were cancelled and unexercised.

The following table summarizes the stock options outstanding as at January 31, 2017:

Exercise Price \$	Number of Options Outstanding	Expiry Date	Number of Options Exercisable
0.05	60,000	May 27, 2021	60,000
0.05	330,000	June 17, 2024	330,000
	390,000		390,000

SPARROW VENTURES CORP.

Notes to the Financial Statements

January 31, 2017 and 2016

(Expressed in Canadian Dollars)

NOTE 7 – SHARE CAPITAL (Continued)

(d) Charitable options

As at January 31, 2017, the Company has 105,000 outstanding charitable stock options exercisable at \$0.10 which expire on May 26, 2018.

NOTE 8 – RELATED PARTY TRANSACTIONS

Details of transactions between the Company and related parties, in addition to those transactions disclosed elsewhere in these financial statements are described as follows.

(a) Related Party Transactions

The Company incurred the following transactions with an officer during the years ended January 31, 2017 and 2016:

	2017	2016
	\$	\$
Consulting fees	22,833	-
Interest expense	1,545	1,372
	<hr/>	<hr/>

(b) Related Party Balances

The following related party amounts were reflected in the statement of financial position as at January 31, 2017 and 2016:

Accounts Payable and Accrued Liabilities	27,591	1,116
Loans Payable (Note 5)	13,824	12,279
Loans Payable (Former director) (Note 5)	13,824	12,279
	<hr/>	<hr/>
	55,239	25,674
	<hr/>	<hr/>

NOTE 9 – FINANCE AND OTHER COSTS

Accretion of discount on convertible debentures (Note 6)	641	-
Interest expense (Note 5 and 6)	4,655	2,744
	<hr/>	<hr/>
	5,296	2,744
	<hr/>	<hr/>

SPARROW VENTURES CORP.

Notes to the Financial Statements

January 31, 2017 and 2016

(Expressed in Canadian Dollars)

NOTE 10 – INCOME TAXES

(a) Reconciliation of Effective Tax Rate

Income tax expense (recovery) differs from the amounts computed by applying the combined federal and provincial income tax rate of 26% (2016 – 26.00%) to pre-tax loss as a result of the following:

	2017	2016
	\$	\$
Computed expected income tax recovery	(5,739)	(5,739)
Change in tax benefits not recognized	(3,482)	(3,482)
Effect of change in tax rates	-	-
Permanent difference	9,221	9,221
	<hr/>	<hr/>
Income tax expense (recovery)	-	-

(b) Deferred Income Tax Assets and Liabilities

Deferred tax assets have not been recognized in respect of the following items:

Non-capital losses carry-forward	282,316	282,316
Exploration and evaluation assets	22,758	22,758
Other	218	218
	<hr/>	<hr/>
Unrecognized deferred tax assets	305,292	305,292

(c) Non-Capital Losses

As at January 31, 2017, the Company has non-capital losses of \$1,107,904, which may be applied to reduce taxable income of future years. These non-capital losses expire as follows:

Year	\$
2028	677
2029	98,734
2030	327,778
2031	196,550
2032	172,681
2033	132,779
2034	118,979
2035	37,653
2036	22,073
	<hr/>
	1,107,904

In addition, the Company has cumulative resource pools of \$87,531 which can be carried forward indefinitely to offset future resource profits.

SPARROW VENTURES CORP.

Notes to the Financial Statements

January 31, 2017 and 2016

(Expressed in Canadian Dollars)

NOTE 11 – FINANCIAL RISK MANAGEMENT

(a) Fair Value of Financial Instruments

The Company's financial instruments consist of cash, accounts payable and accrued liabilities, loans payable and convertible debentures. The carrying values of cash, accounts payable and accrued liabilities and loans payable approximate their fair values because of their short-term nature and/or the existence of market related interest rates on the instruments. Convertible debentures are measured at amortized cost using the effective interest rate method and their carrying value approximates their fair value. 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.

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: Quoted prices in active markets for identical assets or liabilities.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

The Company's convertible debentures with a fair value of \$44,580 at January 31, 2017 (January 31, 2016 - \$Nil) are classified as Level 2.

(b) Financial Instruments Risk

The Company is exposed in varying degrees to a variety of financial instrument related to risks. The Board approves and monitors the risk management processes:

(i) Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company limits its exposure to credit loss for cash by placing its cash with high quality financial institutions. The credit risk for cash is considered negligible since the counterparties are reputable banks with high quality external credit ratings.

(ii) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. The Company ensures, as far as reasonably possible, that it will have sufficient capital in order to meet short-term business requirements, after taking into account cash flows from operations and the Company's holdings of cash. There can be no assurance that the Company will be successful with generating and maintaining profitable operations or will be able to secure future debt or equity financing for its working capital and development activities (Note 1).

(iii) Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. Interests on the Company's loans payable is based on a fixed rate, and as such, the Company is not exposed to significant interest rate risk.

SPARROW VENTURES CORP.

Notes to the Financial Statements

January 31, 2017 and 2016

(Expressed in Canadian Dollars)

NOTE 12 – CAPITAL MANAGEMENT

The Company manages its share capital as capital, which as at January 31, 2017, was \$1,010,618 (2016 - \$1,010,618). The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern such that it can continue to provide returns for shareholders and benefits for other stakeholders. The management of the capital structure is based on the funds available to the Company in order to pursue the development and expansion of its business and to maintain the Company in good standing with the various regulatory authorities. In order to maintain or adjust its capital structure, the Company may issue new shares, sell assets to settle liabilities, or return capital to its shareholders.

To effectively manage the entity's capital requirements, the Company has in place a planning and budgeting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its objectives. The Company may issue new shares or seek debt financing to ensure that there is sufficient working capital to meet its short-term business requirements. The Company is not subject to externally imposed capital requirements.

There were no changes in the Company's management of capital during the year ended January 31, 2017.

NOTE 13 – SUBSEQUENT EVENTS

Revocation of Cease Trade Order

In February 2017, the cease trade orders previously issued by the British Columbia Securities Commission and the Ontario Securities Commission, on October 6, 2015, and October 26, 2015, respectively, were revoked. The Company is in the process of applying for reinstatement of the trading of its common shares on the NEX Board of the Exchange. It also intends, subject to Exchange approval, to effect a consolidation of its common shares on the basis of one post-consolidation common share for 10 pre-consolidation common shares as approved by the shareholders of the Company at the Company's Annual General and Special Meeting of Shareholders held on December 7, 2016.

Third Tranche of Convertible Debentures Issued

On March 16, 2017, the Company issued the third tranche of secured convertible debentures (the "Debentures Three") with a face value of \$23,800. The Debentures Three 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 Three") at a per Unit Three 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 Three"). Each Unit Three is comprised of one common share and one common share purchase warrant (each, a "Warrant Three") of the Company. Each Warrant Three entitles the holder to acquire one additional common share of the Company at an exercise price equal to the Conversion Price Three. The Company's obligations under the Debentures Three are secured by a general security agreement.

Funds Received in Advance of Issue of Convertible Debenture Tranche Four

Subsequent to January 31, 2017, the Company received an aggregate \$177,241 in interest free advances, of which \$171,494 was from arms-length parties and \$5,747 was from a director of the Company. These will be exchanged for convertible debentures upon the receipt of Exchange approval for tranche four of the Company's convertible debenture issue. Upon closing of tranche four, the Company will have completed its private placement of secured convertible debentures financing of \$250,000.