

# SPARROW VENTURES CORP.

**Condensed Interim Financial Statements**

**Three Months Ended April 30, 2017 and 2016**

*(Expressed in Canadian Dollars)*

**(Unaudited)**

# **SPARROW VENTURES CORP.**

**(the “Company”)**

## **CONDENSED INTERIM FINANCIAL STATEMENTS**

**Three months ended April 30, 2017 and 2016**

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

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

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

June 23, 2017

# SPARROW VENTURES CORP.

Condensed Interim Statements of Financial Position

(Unaudited – prepared by management)

As at April 30, 2017 and January 31, 2017

(Expressed in Canadian Dollars)

	Note	April 30, 2017 \$	January 31, 2017 \$
<b>ASSETS</b>			
<b>CURRENT</b>			
Cash		111,520	301
GST recoverable		10,515	8,923
Prepays and deposits		3,833	-
		<u>125,868</u>	<u>9,224</u>
<b>LIABILITIES</b>			
<b>CURRENT</b>			
Accounts payable and accrued liabilities		189,181	166,611
Loans payable	4	<u>191,469</u>	<u>51,448</u>
		380,650	218,059
Convertible debentures	5	<u>70,441</u>	<u>44,580</u>
		451,091	262,639
<b>SHAREHOLDERS' DEFICIENCY</b>			
Share capital	6	1,010,618	1,010,618
Equity component	5	7,081	6,584
Share-based payment reserve		98,714	98,714
Deficit		<u>(1,441,636)</u>	<u>(1,369,331)</u>
		<u>(325,223)</u>	<u>(253,415)</u>
		<u>125,868</u>	<u>9,224</u>

Nature of operations and going concern (Note 1)

Subsequent events (Note 11)

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

Approved on behalf of the board:

"Marc Morin"  
Marc Morin, Director

"Michael Young"  
Michael Young, Director

# SPARROW VENTURES CORP.

Condensed Interim Statements of Changes in Shareholders' Deficiency

(Unaudited – prepared by management)

For the periods ended April 30, 2017 and 2016

(Expressed in Canadian Dollars)

	Number of Common Shares	Share Capital \$	Equity Component \$	Share-based Payment Reserve \$	Deficit \$	Total \$
<b>Balance, January 31, 2016</b>	13,658,300	1,010,618	-	98,714	(1,165,200)	(55,868)
Comprehensive loss for the period	-	-	-	-	(3,245)	(3,245)
<b>Balance, April 30, 2016</b>	13,658,300	1,010,618	-	98,714	(1,168,445)	(59,113)
<b>Balance, January 31, 2017</b>	13,658,300	1,010,618	6,584	98,714	(1,369,331)	(253,415)
Equity component of convertible debenture	-	-	497	-	-	497
Comprehensive loss for the period	-	-	-	-	(72,305)	(72,305)
<b>Balance, April 30, 2017</b>	13,658,300	1,010,618	7,081	98,714	(1,441,636)	(325,223)

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

# SPARROW VENTURES CORP.

Condensed Interim Statements of Comprehensive Loss

(Unaudited – prepared by management)

For the Periods Ended April 30, 2017 and 2016

(Expressed in Canadian Dollars)

	Note	2017 \$	2016 \$
<b>EXPENSES</b>			
Accounting, audit and legal		6,658	1,250
Consulting fees	7	79,667	-
Directors fees		2,500	-
Office, rent and administration		383	18
Regulatory fees		(983)	1,250
Transfer agent and shareholder information		442	-
		<hr/>	<hr/>
<b>LOSS BEFORE OTHER ITEMS</b>		(88,667)	(2,518)
<b>OTHER ITEMS</b>			
Forgiveness of debt	7	19,324	-
Finance and other costs	4,8	(2,962)	(727)
		<hr/>	<hr/>
		16,362	(727)
<b>NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR</b>		<hr/> <b>(72,305)</b>	<hr/> <b>(3,245)</b>
<b>BASIC AND DILUTED LOSS PER SHARE</b>			
		<hr/> <b>(0.01)</b>	<hr/> <b>(0.00)</b>
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUSTANDING – BASIC AND DILUTED</b>			
		<hr/> <b>13,658,300</b>	<hr/> <b>13,658,300</b>

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

# SPARROW VENTURES CORP.

Condensed Interim Statements of Cash Flows  
(Unaudited – prepared by management)  
For the Periods Ended April 30, 2017 and 2016  
(Expressed in Canadian Dollars)

	2017	2016
	\$	\$
<b>CASH PROVIDED BY (USED IN)</b>		
<b>OPERATING ACTIVITIES</b>		
Net loss for the year	(72,305)	(3,245)
Non-cash items		
Forgiveness of debt	(19,324)	-
Finance and other costs	2,962	727
Changes in non-cash working capital accounts		
GST recoverable	(1,592)	(62)
Prepays and deposits	(3,833)	-
Accounts payable and accrued liabilities	28,071	2,563
	<u>(66,022)</u>	<u>(17)</u>
<b>FINANCING ACTIVITY</b>		
Proceeds from loans	<u>177,241</u>	<u>-</u>
	<u>177,241</u>	<u>-</u>
<b>INCREASE (DECREASE) IN CASH</b>	111,219	(17)
Cash, beginning of year	<u>301</u>	<u>176</u>
<b>CASH, END OF YEAR</b>	<u><b>111,520</b></u>	<u><b>159</b></u>

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

## **SPARROW VENTURES CORP.**

Notes to the Condensed Interim Financial Statements

(Unaudited – prepared by management)

For the Three Months Ended April 30, 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 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 April 30, 2017, the Company has accumulated losses of \$1,441,636 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 June 23, 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**

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, 2017.

## **SPARROW VENTURES CORP.**

Notes to the Condensed Interim Financial Statements  
(Unaudited – prepared by management)  
For the Three Months Ended April 30, 2017 and 2016  
(Expressed in Canadian Dollars)

---

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

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

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, 2017.

#### **(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, 2017.

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.

### **NOTE 3 – 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 April 30, 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 Condensed Interim Financial Statements

(Unaudited – prepared by management)

For the Three Months Ended April 30, 2017 and 2016

(Expressed in Canadian Dollars)

---

### NOTE 4 – 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 period ended April 30, 2017, the loan from the current director, in the amount of \$13,824, was forgiven and the forgiveness of debt was included in the statement of operations for the current period. During the period ended April 30, 2017, the Company accrued \$404 (2016 - \$727) in interest expense on the Loan which remained outstanding as at April 30, 2017.

(b) In the period ended April 30, 2017, the Company received \$177,241 in interest free advances from several arms-length parties which will be exchanged for convertible debentures upon the receipt of Exchange approval for tranche four of the Company’s convertible debenture issue (See Note 5 and 11).

### NOTE 5 – CONVERTIBLE DEBENTURES

On September 14, 2016, December 9, 2016 and March 16, 2017, the Company issued the first, second and third tranches of secured convertible debentures (the “Debentures”) with an aggregate face value of \$72,759 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, tranche two of the Debentures matures on December 9, 2018 and tranche three of the Debentures matures on March 16, 2019. Interest on the Debentures is payable on the maturity date.

The Debentures were initially recognized at their face value of \$72,759 less the value of the equity component of \$7,081 for a net amount of \$65,678. Current value includes accrued interest of \$3,262 and an amortized discount of \$1,501.

The convertible debentures are made up as follows:

	April 30, 2017	January 31, 2017
<b>Equity component</b>	\$ 7,081	\$ 6,584
<b>Liability component, at the date of issuance</b>	65,678	42,375
Accretion of interest	4,763	2,205
<b>Liability component, end of year</b>	<u>70,441</u>	<u>44,580</u>

## SPARROW VENTURES CORP.

Notes to the Condensed Interim Financial Statements  
(Unaudited – prepared by management)  
For the Three Months Ended April 30, 2017 and 2016  
(Expressed in Canadian Dollars)

---

### NOTE 6 – 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 April 30, 2017, the Company had 13,658,300 issued and fully paid common shares (January 31, 2017–13,658,300) 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 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 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 \$
<b>Balance, April 30, 2017 and January 31, 2017</b>	<b>390,000</b>	<b>0.05</b>

The following table summarizes the stock options outstanding as at April 30, 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
	<b>390,000</b>		<b>390,000</b>

## SPARROW VENTURES CORP.

Notes to the Condensed Interim Financial Statements  
(Unaudited – prepared by management)  
For the Three Months Ended April 30, 2017 and 2016  
(Expressed in Canadian Dollars)

---

### NOTE 6 – SHARE CAPITAL (Continued)

#### (d) Charitable options

As at April 30, 2017, the Company has 105,000 outstanding charitable stock options exercisable at \$0.10 which expire on May 26, 2018.

### NOTE 7 – 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 three months ended April 30, 2017 and 2016:

	2017	2016
	\$	\$
Consulting fees	14,667	-
Interest expense	404	727

#### (b) Related Party Balances

The following related party amounts were reflected in the statement of financial position as at April 30, 2017 and January 31, 2017:

Accounts Payable and Accrued Liabilities	45,491	27,591
Loans Payable (Note 4)	-	13,824
Loans Payable (former director) (Note 4)	14,228	13,824
	<hr/>	<hr/>
	59,719	55,239

### NOTE 8 – FINANCE AND OTHER COSTS

Finance and other costs for the three months ended April 30, 2017 and 2016 are as follows:

Accretion of discount on convertible debentures (Note 5)	859	-
Interest expense (Note 4 and 5)	2,103	727
	<hr/>	<hr/>
	2,962	727

## **SPARROW VENTURES CORP.**

Notes to the Condensed Interim Financial Statements

(Unaudited – prepared by management)

For the Three Months Ended April 30, 2017 and 2016

(Expressed in Canadian Dollars)

---

### **NOTE 9 – 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 \$70,441 at April 30, 2017 (January 31, 2017 - \$44,580) 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. Interest 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 Condensed Interim Financial Statements

(Unaudited – prepared by management)

For the Three Months Ended April 30, 2017 and 2016

(Expressed in Canadian Dollars)

---

### **NOTE 10 – CAPITAL MANAGEMENT**

The Company manages its share capital as capital, which as at April 30, 2017, was \$1,010,618 (January 31, 2017 - \$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 period ended April 30, 2017.

### **NOTE 11 – SUBSEQUENT EVENTS**

#### Fourth Tranche of Convertible Debentures Issued

On June 2, 2017, the Company issued the fourth tranche of secured convertible debentures (the "Debentures Four") with a face value of \$177,241. The Debentures Four 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 Four") at a per Unit Four 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 Four"). Each Unit Four is comprised of one common share and one common share purchase warrant (each, a "Warrant Four") of the Company. Each Warrant Four entitles the holder to acquire one additional common share of the Company at an exercise price equal to the Conversion Price Four. The Company's obligations under the Debentures Four are secured by a general security agreement.