# Sparta Capital Ltd.

("Sparta" or "Corporation")

**Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") for the Three Months ended December 31, 2014 and the Three Months ended December 31, 2013.**

The following discussion and analysis should be read in conjunction with the audited financial statements of the Corporation for the year ended September 30, 2014 and the unaudited condensed interim financial statements of the Corporation for the three months ended December 31, 2014 prepared in accordance with International Financial Reporting Standards ("IFRS").

All dollar figures included therein and in the following discussion and analysis are quoted in Canadian dollars which is the Corporation's functional and reporting currency.

## Date

This management's discussion and analysis is dated February 28, 2015 and is in respect of the three months ended December 31, 2014. The discussion in this management's discussion and analysis focuses on this period.

### Forward Looking Statements and Risks

Certain statements included in this discussion may constitute forward-looking statements that involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Corporation, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include changes in government regulations, general economic conditions and business conditions, ability to raise debt or equity financing as required to fund operations, ability to convert long term investments into cash through the sale of all or part of investments, foreign currency exposure, supplier constraints, transportation constraints, emissions standards, fuel prices, product quality and safety, alternative and competing products, protection of intellectual property, the findings resultant to due diligence programs, the results of product certification testing, the ability to attract and retain employees, sales agents and service personnel in Canada and in international markets, the actions of current and future competitors, future claims or litigation, the speculative nature of product research and development, and other factors that may affect demand for the Corporation's products and services and the ability of the Corporation to implement its business strategy and/or generate profit.

The words "may", "would", "could", "will", "likely", "estimate", "believe", "expect", "plan", "forecast", "is to be", "intend", "anticipate" and similar expressions are intended to identify forward-looking statements. Although Sparta has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such 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. Sparta does not undertake to update any forward-looking statements that are incorporated by reference herein, except in accordance with applicable securities laws.

## Overview

The Corporation's common shares are listed and posted for trading on the NEX board of the TSX Venture Exchange under the symbol “SAY.H”.

The Corporation seeks to leverage its expertise in product development, manufacturing, distribution, sales and service across a growing range of complementary technologies designed to achieve reduced emissions and increased operating efficiency of carbon fuel powered equipment and in the process, monetize resulting carbon credits to help children around the globe. In that regard the Corporation continues to identify and evaluate further business growth opportunities.

The Corporation holds the exclusive world-wide manufacturing and distribution license to an automated fuel additive injection system subject to certain sales performance criteria.

Sparta continues to seek further opportunities to utilize its distribution network to distribute complementary products and intends, on an ongoing basis, to assess product performance and market acceptance of other products suitable to the Corporation’s established distribution network. Announcements of new products added to Sparta’s distribution network will be made following the Corporation’s comprehensive due diligence processes.

## Overall Performance

An extensive period of research and analysis, as well as consultation with experts in a number of technology sectors has led to substantial progress in the last 12 months. Sparta has expanded its product offering and corporate relationships while enhancing their corporate profile at the same time. Brand awareness is now building and will continue to widen with an experienced marketing and communications team in place that is well versed in everything Sparta related.

Pilot studies continued with the Addeco Tech SS10L mobile fuel injector unit in Canada, the United States, South Africa and New Zealand to demonstrate performance of customer selected additives. In addition, Sparta developed a bulk tank injection system and installed the first pilot project in Mexico.

Along with the continued Addeco Tech work, the Corporation entered into negotiations with Newport Environmental Technologies Ltd. (Newport), a Canadian technology firm, who was in the process of securing a number of licenses to supply unique technologies designed to save fuel while reducing carbon emission in multiple markets. Each of the selected technologies has the ability to capture the resulting carbon credits that can be used to help fund children’s hospital around the globe.

On October 28th, 2014 Sparta announced that they had entered into a share purchase agreement with the shareholders of Newport and on November 25th, 2014 Sparta completed the agreement. Newport includes an extensive team of professionals with strong marketing, sales, legal, financial, engineering and business development skills. Together they bring a host of potential supply agreements in such market verticals as transportation, mining, commercial, industrial, residential and power generation. Combining Newport’s skill sets and experience with Sparta’s longstanding reputation and corporate structure is expected to culminate in rapid expansion of the Sparta offering and powerful brand awareness.

With this expanded team, Sparta will continue to seek further opportunities to leverage its sales and marketing channels to distribute complementary products. As well, the Company intends, on an ongoing basis, to assess product performance and market acceptance of other technologies suitable to the Corporation’s established distribution network and executive team. Announcements about new Sparta products will be made following the Corporation’s comprehensive due diligence processes.

## Selected Financial Information

The following table is a summary of selected financial information derived from the Corporation's audited financial statements for the years ended September 30, 2014, 2013 and 2012 prepared in accordance with IFRS:

| | 2014 | 2013 | 2012 |
|---|---|---|---|
| | $ | $ | $ |
| Total Assets | 24,587 | 75,662 | 69,453 |
| Total Non-Current Financial Liabilities | - | - | (172,700) |
| Revenues | - | - | 27,127 |
| Net and comprehensive loss for the period | (138,218) | (660,541) | (320,180) |
| Basic and diluted net loss per share for the period | (0.002) | (0.013) | (0.008) |
| | Common Shares | Common Shares | Common Shares |
| Weighted average number outstanding | 62,530,140 | 52,287,695 | 39,608,788 |

For the three month period ended December 31, 2014, the Corporation reported no discontinued operations and declared no cash dividends.

### Summary of Quarterly Results

The quarterly financial information for the eight most recently ended quarters are as follows:

| | Q1 December 31, 2014 | Q4 September 30, 2014 | Q3 June 30, 2014 | Q2 March 31, 2014 | Q1 December 31, 2013 | Q4 September 30, 2013 | Q3 June 30, 2013 | Q2 March 31, 2013 |
|---|---|---|---|---|---|---|---|---|
| Net (Loss) | (35,793) | (40,354) | (13,290) | (38,361) | (46,213) | (206,835) | (238,573) | (164,414) |
| (Loss) Per Share | (0.000) | (0.000) | (0.000) | (0.001) | (0.001) | (0.005) | (0.004) | (0.003) |
| Total Asset | 355,150 | 24,587 | 52,151 | 52,267 | 56,110 | 75,662 | 156,447 | 231,576 |
| Total Liabilities | 736,284 | 371,930 | 359,138 | 345,964 | 311,448 | 284,786 | 347,398 | 290,829 |

Variances in net loss by quarter is not cyclical or seasonal and reflect overall corporate activity and factors which do not recur each quarter, such as travel, due diligence, professional and regulatory fees.

## Results of Operations

Overall for the three months ended December 31, 2014 the Corporation had a net and comprehensive loss of $35,793 compared to a net and comprehensive loss of $46,213 in 2013.

Revenue

No sales revenue was generated during the three months ended December 31, 2014 and 2013, while the Corporation sought to attract funding to support sales and marketing activities.

Expenses

The total expenses decreased to $35,793 during the three months ended December 31, 2014, a decrease of $10,420 representing a 23% reduction from the $46,213 in the same period in 2013, due to the following:

Consulting fees decreased to $9,000 during the three months ended December 31, 2014, a decrease of $10,000 representing a 53% decrease from the $19,000 incurred in the same period in 2013 due to reduced services being provided due to funding restrictions.

Product development expenses decreased to $Nil during the three months ended December 31, 2014 from $12,500 in the same time period in 2013. Product development costs reflect costs incurred developing the AddecoTech SS10L unit.

Professional fees increased to $17,890 during the three months ended December 31, 2014, an increase of $12,890 representing a 258% from the $5,000 incurred in the same time period in 2013. This increase is primarily a result of higher legal fees during the current period.

**Cash Flows**

The following is a summary of cash flows for the three months ended December 31:

| **Cash Flow Activity** | **2014** | **2013** |
|---|---|---|
| Cash used in operating activities | ($22,104) | ($10,916) |
| Cash provided by investing activities (see Note 1) | 309,239 | - |
| Cash used in financing activities | 27,500 | - |

Note 1 – cash provided from investing activities due the acquisition of Newport Environmental technologies Ltd.

**Liquidity**

The Corporation had cash balance at December 31, 2014 of $314,635 and a bank indebtedness of $2,862 at September 30, 2013

At December 31, 2014 the Corporation had a working capital deficiency balance of $381,134 (September 30, 2014: $347,343). In order to meet the Corporation's anticipated working capital requirements it will be required to attract additional funds through the issue of debt, equity or other business means to further the development of the Corporation's products and to provide sufficient working capital. The Corporation monitors its working capital position and makes changes or reductions in expenditures to help sustain sufficient liquidity to meet liabilities on a timely basis.

**Transactions with Related Parties**

For the three months ended December 31, 2014, the Corporation incurred consulting fees of $4,500 (2013- $4,500) with companies controlled by the Chief Executive Officer. Included in accounts payable and accrued liabilities is $214,550 (2013-$181,164).

## Financial Instruments

The carrying values of the financial assets and liabilities included in the statements of financial position are as follows:

| | December 31, 2014 | September 30, 2014 |
|---|---|---|
| | $ | $ |
| **Financial Assets** | | |
| Held for trading financial assets: | | |
| Cash (Bank Indebtedness) | 314,635 | - |
| Accounts receivable | 40,515 | 24,587 |
| **Financial Liabilities** | | |
| Other financial liabilities : | | |
| Accounts payable and accrued liabilities | 348,284 | 358,930 |
| Loans and borrowings | 388,000 | 13,000 |

The carrying value of cash, accounts payable and accrued liabilities and loans and borrowings approximate their fair value due to the relatively short period to maturity of the instruments. Cash and cash equivalents are classified as level 1, which means fair value measurement are those derived from quoted prices in active markets. The carrying value of loans and borrowings approximate fair value as the interest rates are consistent with the current market rates.

## Shareholders' Equity

Authorized

The authorized share capital of the Corporation consists of an unlimited number of common shares without nominal or par value and an unlimited number of preferred shares, issuable in series. The rights, privileges, restrictions and conditions attached to the preferred shares are to be determined by the Directors of the Corporation at time of issuance. There are no preferred shares issued or outstanding as at December 30, 2014.

The number of issued and outstanding shares is 124,530,140 as at December 31, 2014 and the date of this MD&A.

As at December 31, 2014 and the date of this MD&A the Corporation had 2,825,000 options outstanding with a range of exercise prices of $0.10 to $0.20 and a weighted average remaining contractual life of 3.66 years.

As at December 31, 2014 and the date of this MD&A the Corporation had 22,793,620 warrants outstanding, with an exercise prices between $0.09 and $0.14 per warrant and remaining contractual life of 1.19 years.

Contributed surplus totaled $520,341 at December 31, 2014. The balance comprises the cumulative stock-based compensation expenses charged since February 11, 2004 plus $14,080 resulting from the Corporation repurchasing and subsequently cancelling common shares in 1996.

## Capital Management

The Corporation's objectives when managing capital is to safeguard its ability to continue as a going concern provide adequate working capital and maintain cash on hand. The Corporation defines capital as the Corporation's shareholders' equity and loans and borrowings. At December 31, 2014 shareholders' equity was at a deficit of $381,134 (September 30, 2014 – $347,343 deficit) and loans and borrowings were at $388,000 (September 30, 2014 - $13,000). The Corporation manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Corporation may purchase shares for cancellation pursuant to normal course issuer bids, issue new shares or obtain debt financing. The Corporation is not currently subject to any externally imposed capital requirements.

Management anticipates that, based on the amount required to fund expenses associated with the execution of the Corporation's current business plan, taking into account the present working capital deficiency and the Corporation's projected level of future income, the Corporation is expected to require an injection of capital through debt or equity financing to meet its normal operating requirements for the next 12 months. Additional capital requirements are dependent on the extent of future revenues and expenses related to product development, manufacturing, sales and promotion and in consideration of results of the evaluation of other business growth opportunities and associated capital requirements. Additional liquid capital may be sourced from the issuance of share capital, debt financing or from potential government funding in support of development of export markets

## Financial Risk Management

The Corporation's risk exposures and the impact on the Corporation's financial instruments are summarized as follows:

Credit Risk

Currently the Company is not exposed to credit risk as accounts receivable consists of GST receivable balance.

Liquidity Risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting obligations associated with its financial liabilities. The Corporation's objective in managing liquidity risk is to maintain sufficient liquidity to meet liabilities when due by holding sufficient cash and cash equivalents to settle current liabilities and meet its anticipated 2015 working capital requirements. The Corporation had a cash balance at December 31, 2014 of $314,635 (September 30, 2013 – $Nil).

At December 31, 2014 the Corporation had a working capital deficit balance of $381,134 (September 30, 2014 – 347,343). In order to meet the Corporation's anticipated working capital requirements it will be required to attract additional funds through the issue of debt, equity or other business means to further the development of the Corporation's products and to provide sufficient working capital. The Corporation monitors its working capital position and makes changes or reductions in expenditures to help sustain sufficient liquidity to meet liabilities on a timely basis.

Market Risk

a) Interest rate risk

The Corporation has fixed interest-bearing debt and therefore is not exposed to interest rate risk.

b) Foreign currency risk

The Corporation is currently not exposed to significant foreign currency risk since all of its assets and liabilities are denominated in Canadian dollars; however certain nonrecurring operating expenses are denominated in foreign currencies. The Corporation has maintained sufficient resources to make payment denominated in foreign currencies in a timely manner thereby limiting the exposure.

## Outlook

Sparta's is focused on expanding its product offering across the many market verticals initiated by the recent acquisition of Newport Environmental Technologies Ltd., as well as monetizing the resulting carbon credits through the Clean Air for Kids™ campaign.

In every target market there are glaring inefficiencies that can be addressed by applying Sparta's innovative technology solutions. The key values being the ability to reduce fuel consumption while reducing harmful emissions in the process. This could mean through the reduction of ventilation air systems in underground mining applications; the reduction of low-temperature heat loss in industrial and commercial applications; through the ability to better automate vocational vehicles in the transportation sector; or by helping to expand the use of high-intensity LED fixtures in commercial, industrial and urban applications. These are just a few examples, but all reduce fuel consumption and in turn reduce emissions, thus leaving behind a better planet.

The model is simple…higher quality need not cost the consumer more. The team is strong and well experienced. We look forward to an exciting 2015 and beyond.