SPARTA CAPITAL LTD.

CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2016

Kenway Mack
Slusarchuk Stewart LLP
Chartered Professional Accountants,
Chartered Accountants

Celebrating 30 years

Independent Auditors' Report

To: The Shareholders of **Sparta Capital Ltd.**

We have audited the accompanying consolidated financial statements of Sparta Capital Ltd., which comprise the consolidated statements of financial position as at September 30, 2016 and 2015 and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and 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 consolidated financial statements in accordance with International Financial Reporting Standards, 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 consolidated financial statements based on our audits. We conducted our audits 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Sparta Capital Ltd. as at September 30, 2016 and 2015, and their financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

We draw attention to Note 2 to the financial statements which indicates that at September 30, 2016 the Company had limited working capital of $267,296. This condition, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

Kenway Mack Slusarchuk Stewart LLP

February 6, 2017
Calgary, Alberta

Chartered Professional Accountants,
Chartered Accountants

Sparta Capital Ltd.
Consolidated Statements of Financial Position

As at September 30,	Note	2016	2015
		$	$
Assets			
Current assets			
Cash		583,457	196,381
Accounts receivable		649,265	36,364
Inventories		10,342	-
Prepaid expenses		22,988	10,857
		1,266,052	243,602
Equipment	6	13,754	-
		1,279,806	243,602
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		958,877	302,484
Income taxes payable		12,500	-
Deferred revenue		14,379	-
Loans		13,000	13,000
		998,756	315,484
Shareholders' equity (deficit)			
Share capital	7	6,953,647	6,612,247
Share subscriptions receivable	7	-	(27,500)
Share subscriptions received	7	177,000	-
Warrants	7	-	144,340
Contributed surplus		700,181	612,741
Deficit		(7,423,801)	(7,352,671)
Total equity attributable to the equity holders of the Corporation		407,027	(10,843)
Equity attributable to non-controlling interest	15	(125,977)	(61,039)
		281,050	(71,882)
		1,279,806	243,602

Going concern (note 2)

Approved on behalf of the Board:

Signed: *"John O'Bireck"* Signed: *"Alyn D. Patterson"*

John O'Bireck, Director Alyn D. Patterson CPA CA, CFO

See accompanying notes to the consolidated financial statements.

Sparta Capital Ltd.

Consolidated Statements of Comprehensive Loss

For the year ended September 30,	Note	2016	2015
		$	$
Revenue		4,543,667	10,340
Expenses			
Transportation		2,343,405	-
Consulting fees		521,758	138,174
Salaries and benefits		418,547	55,842
Product costs		346,893	5,507
Equipment rental		253,070	-
Business development		204,012	-
Repairs and maintenance		148,983	-
Marketing fees		128,031	47,128
Travel, promotion and office		116,935	60,543
Professional fees		71,246	76,407
Automotive		31,430	-
Insurance		29,000	7,595
Licenses and fees		27,037	24,171
Occupancy		20,000	-
Interest and bank charges		4,461	5,057
Amortization		2,427	-
Stock based compensation	7	-	92,400
		4,667,235	512,824
Loss before income taxes		(123,568)	(502,484)
Income taxes	13	(12,500)	-
Net loss and comprehensive loss for the year		(136,068)	(502,484)
Net loss and comprehensive loss attributable to:			
Shareholders		(71,130)	(441,445)
Non-controlling interests	15	(64,938)	(61,039)
		(136,068)	(502,484)
Loss and comprehensive loss per share			
Basic and diluted	11	(0.001)	(0.004)

See accompanying notes to the consolidated financial statements.

Sparta Capital Ltd.

Consolidated Statements of Changes in Equity

	Number of common shares	Share capital $	Contributed surplus $	Warrants $	Share subscription receivable $	Share subscription received $	Deficit $	Non-controlling interest $	Total $
Balance, September 30, 2015	138,964,140	6,612,247	612,741	144,340	(27,500)	-	(7,352,671)	(61,039)	(71,882)
Share subscription receivable	-	-	-	-	27,500	-	-	-	27,500
Share subscription received	-	-	-	-	-	177,000	-	-	177,000
Warrants exercised	5,690,000	341,400	-	(56,900)	-		-	-	284,500
Warrants expired	-	-	87,440	(87,440)	-	-	-	-	-
Profit for year	-	-	-	-	-	-	(71,130)	(64,938)	(136,068)
Balance, September 30, 2016	144,654,140	6,953,647	700,181	-	-	177,000	(7,423,801)	(125,977)	281,050
Balance, September 30, 2014	62,530,140	6,043,542	520,341	-	-	-	(6,911,226)	-	(347,343)
Issue on acquisition of Newport Environmental Technologies Ltd.	62,000,000	2,002	-	-	-	-	-	-	2,002
Private Placement	12,664,000	506,560	-	126,640	-	-	-	-	633,200
Private Placement	1,770,000	70,800	-	17,700	(27,500)	-	-	-	61,000
Share issue costs	-	(10,657)	-	-	-	-	-	-	(10,657)
Stock options issuance	-	-	92,400	-	-	-	-	-	92,400
Loss for year	-	-	-	-	-	-	(441,445)	(61,039)	(502,484)
Balance, September 30, 2015	138,964,140	6,612,247	612,741	144,340	(27,500)	-	(7,352,671)	(61,039)	(71,882)

See accompanying notes to the consolidated financial statements.

Sparta Capital Inc.

Consolidated Statements of Cash Flows

As at September 30	Note	2016	2015
		$	$
Cash provided by (used in):			
Operations:			
Net loss and comprehensive loss from operations		(136,068)	(502,484)
Items not involving cash:			
Stock based compensation		-	92,400
Consulting fees	8	187,000	
Amortization		2,427	-
Change in non-cash working			
Accounts receivable		(612,901)	29,330
Prepaid expenses		(12,129)	(10,857)
Inventory		(10,342)	-
Accounts payable and accrued liabilities		656,391	(57,290)
Income taxes payable		12,500	-
Deferred revenue		14,379	-
Cash flows from (used in) operations		101,257	(448,901)
Investing:			
Purchase of equipment		(16,181)	-
Cash flows used in investing		(16,181)	-
Financing:			
Proceeds from exercise of warrants	7	97,500	694,200
Share subscriptions received	7	177,000	-
Payment of share subscriptions receivable		27,500	-
Share issue costs	7	-	(10,657)
Cash acquired in purchase of Newport Environmental	5	-	309,239
Repayment of demand loans assumed in purchase of Newport Environmental		-	(347,500)
Cash flows from financing		302,000	645,282
Increase in cash		387,076	196,381
Cash, beginning of year		196,381	-
Cash, end of year		583,457	196,381

See accompanying notes to the consolidated financial statements.

1. Reporting Entity and Nature of Operations

Sparta Capital Ltd. (the “Corporation” or “Sparta”) was incorporated pursuant to the provisions of the Business Corporations Act (Alberta) on February 24, 1988. The Corporation maintains its head office at 303, 6707 Elbow Drive SW Calgary, Alberta, T2V 0E5 and registered office at Suite 1600, Dome Tower, 333 - 7th Avenue S.W. Calgary, Alberta, T2P 2Z1. The Corporation is publicly listed 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 range of complementary products.

The Corporation offerings include four different environmentally centered market verticals through the formation of majority controlled corporations and exclusive licensing agreements. The offerings include optimization of energy consumption in the commercial and manufacturing sectors, construction and energy through biomass conversion, energy conservation in mining, and energy savings in transportation.

During the year, the Corporation focused on the expansion of a number of divisions:

- Illumineris Inc. (“Illumineris”) has two divisions, the photoluminescent safety products (“Safety”) division and the comprehensive energy audit (“EMD”) division. The Safety division has a distribution agreement with Jessup Manufacturing of McHenry IL to distribute their specialized photoluminescent exit signs and egress pathway markings to reduce the consumption of carbon based electricity. The EMD division measures and monitors energy use in commercial buildings and manufacturing facilities and offers turnkey solutions and ongoing support.

- ReECO Tech Conversion Technologies Ltd. (“ReECO Tech”) is a biomass division with a focus on helping develop environmentally sustainable economies by converting biomass waste into consumables such as waste-to-energy products. ReECO Tech’s services provide a viable option for helping manufacturers reduce waste, save resources, save money and lower their carbon footprint.

- Sparta Technologies 4 Mining Ltd. (“4 Mining”) is a mining division with a focus on the development of an emissions free underground vehicle propulsion system. This mining division is looking to expand its offerings to include a number of above ground vehicle platforms and carbon efficient mining equipment.

2. Going concern

These financial statements have been prepared on a going concern basis which assumes that the Corporation will realize its assets and discharge its liabilities in the normal course of business.

For the year ended, September 30, 2016, the Corporation has incurred a net loss from operations of $136,068 (2015 – $502,484), and has limited working capital of $267,296 (2015 - $71,882 deficit).

In order to meet the Corporation’s future working capital requirements it will be required to attract additional funds through the issue of debt or equity. The Corporation’s management will continue to consider various alternatives to finance the Corporation’s operations and activities within the context of existing market conditions. Additional capital requirements are dependent on uncertain future events, including but not limited to the results of the evaluation of other business growth opportunities, the level of growth in product sales and distribution.

There can be no assurance that capital will be available as necessary to meet these continuing development costs or, if the capital is available, that it will be on terms acceptable to the Corporation. The issuances of additional equity securities by the Corporation may result in significant dilution to the equity interests of its current shareholders. If the Corporation is unable to obtain financing in the amounts and on terms deemed acceptable, the business and future success may be adversely affected.

These conditions raise significant doubt about the Corporation's ability to continue as a going concern without additional financing. If the going concern assumption were not appropriate for these financial statements, then adjustments would be necessary to the carrying values of assets and liabilities, and the balance sheet classifications used could be material.

3. Basis of Presentation

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

These financial statements are in compliance with IFRS and were authorized for issue by the Corporation's Board of Directors on February 6, 2017.

Consolidation

These consolidated financial statements incorporate the financial statements of the Corporation and its subsidiaries. Sparta Capital Ltd. is the ultimate parent corporation of the consolidated group. Subsidiaries are consolidated from the date on which the Corporation obtains control and continue to be consolidated until control ceases. Control is established when the Corporation has the power to govern the financial and operating policy decisions of the entity so as to obtain benefits from the entity's activities, and generally exists where more than 50% of the voting power of the entity is held by the Corporation. The financial statements of the subsidiaries are prepared for the same reporting period as the Corporation, using consistent accounting policies. All material intercompany transactions and balances are eliminated in full upon consolidation.

Where the ownership of a subsidiary is less than 100%, and a non-controlling interest exists, any gains or losses of that subsidiary are attributed to the non-controlling interest even if it results in a deficit. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

The subsidiaries of the Corporation and their principal activities as at September 30, 2016 were as follows:

	Ownership interest at September 30,		
Name of subsidiary	2016	2015	Principal activity
Newport Environmental Technologies Ltd.	100%	100%	Inactive
Illumineris Inc.	51%	51%	Product distribution
ReECO Tech Conversion Technologies Ltd.	51%	51%	Product development and business development
Sparta Technologies 4 Mining Ltd.	100%	100%	Product development

Sparta owns 51% of Illumineris and ReECO Tech, the remaining shares held by an external trustee for future issuance to employees and consultants.

Basis of measurement

The financial statements have been prepared on the historical cost basis and are presented in Canadian dollars, which is the Corporation's functional currency.

Use of estimates and judgments

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

(i) Estimates

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Key areas with estimate uncertainties are as follows:

- Stock based compensation - estimates for forfeiture rates, volatility and expected life of options.

(ii) Judgments

Judgments in applying accounting policies are as follows:

- Going concern – the ability of the Corporation to continue as a going concern.

4. Significant Accounting Policies

a) Cash

The Corporation considers all investments with maturities of three months or less and demand bank loans that are utilized periodically for day to day operations to be cash equivalents.

b) Foreign Currency Translation

Monetary assets and liabilities are translated into Canadian dollars at the rate of exchange prevailing at the balance sheet date, if any. All other assets and liabilities are translated at the exchange rates applicable at the time of the relevant transaction. Revenues and expenses are translated at the average exchange rate during the year.

c) Inventory

Inventory is recorded at the lower of cost and net realizable value on a specific item basis and includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing the items to their existing location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Previous write-downs to net realizable value are reversed to the extent there is a subsequent increase in the net realizable value of the inventories.

The inventory is recorded in profit and loss when the product is completed and the substantial risks and rewards of ownership have been transferred to the customer.

Non-refundable deposits received in excess of installation costs incurred for inventory units installed on a trial basis are recorded as a reduction of inventory carrying values.

d) Equipment

Property, plant and equipment are stated at cost. Amortization is provided using the straight-line method at the following annual rates:

Computer Equipment	3 years
Vehicle	5 years

One half of the normal amortization is recorded in the year of acquisition. No amortization is recorded in the year of disposal.

e) Revenue Recognition

Revenue is recognized at the time persuasive evidence of an agreement exists, price is fixed and determinable, the service or product is delivered to the external customer and collectability is reasonably assured.

f) Income Taxes

Income taxes are calculated using the liability method of tax allocation accounting. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying value on the balance sheet are used to calculate deferred income tax liabilities or assets. Deferred income tax liabilities or assets are calculated using tax rates anticipated to apply in the periods that the temporary differences are expected to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs. A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilized.

g) Stock Based Compensation

The compensation expense related to incentive options issued to employees is recognized using the grant date fair value over the vesting period of the stock options whereas consultant's warrants and options issued to non-employees are recognized at the current fair value as earned under the terms of the agreement. The fair value of stock options is determined using the Black-Scholes option pricing model.

h) Private placement units

When the Corporation issues private placement units, the value attributed to the warrants is measured using the residual method. This method allocates value first to the more easily measureable component based on fair value and the residual to the less easily measureable component, if any. The Corporation considers the fair value of its shares to be the more easily measureable component and is valued with reference to the market price. The residual value is attributed to the warrants, if any is recorded as a separate component of equity.

i) Earnings (Loss) Per Share

Earnings (Loss) per share is computed by dividing the net loss for the year by the weighted average of shares outstanding during the reporting year. Diluted earnings/loss per share is calculated using the treasury stock method to determine the dilutive effect from the exercise of stock options and share purchase warrants. This assumes that any proceeds received from in-the-money options and share purchase warrants would be used to buy back common shares at the average market price for the period.

j) Financial instruments

Recognition and measurement

Financial instruments include cash, accounts receivable, accounts payable and accrued liabilities, and loans. Financial instruments are recognized initially at fair value. Subsequent to initial recognition financial instruments are measured in one of the following categories: financial assets and financial liabilities measured at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets or other financial liabilities.

i. Financial assets and liabilities at fair value through profit or loss

   An instrument is classified at fair value through profit or loss ("FVTPL") if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at FVTPL if the Corporation manages such assets and liabilities and makes purchase and sale decisions based on their fair value in accordance with the Corporation's risk management strategy. Transactions costs are recognized in profit or loss when incurred. Financial instruments at FVTPL are measured at fair value, and changes therein are recognized as profit or loss.

   Financial assets at FVTPL include cash.

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. Transaction costs are included in the initial carrying amount. Such assets are carried at amortized cost using the effective interest rate method, less impairment.

   Accounts receivable are classified as loans and receivables.

iii. The Corporation currently has no financial assets classified as held to maturity or available-for-sale.

iv. Other financial liabilities

All financial liabilities are carried at amortized cost using the effective interest method, except for financial liabilities at FVTPL. Transaction costs are included in the initial carrying amount.

Financial liabilities classified as other financial liabilities include accounts payable and accrued liabilities and loans.

Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Corporation has transferred substantially all risks and rewards of ownership. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss recognized in other comprehensive income is recognized in profit or loss.

Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or upon expiration. On derecognition of a financial liability, the difference between the carrying amount of the liability extinguished or transferred to another party and the amount paid is included in profit or loss.

Impairment

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the fair value or estimated future cash flows of an asset. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognized in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost the reversal is recognized in profit or loss.

k) Application of new and revised International Financial Reporting Standards

At the date of authorization of these financial statements, the International Accounting Standards Board ("IASB") and International Financial Reporting Interpretations Committee ("IFRIC") has issued the following new and revised standards, amendments and interpretations which are not yet effective during the year ended September 30, 2016.

IFRS 9 Financial Instruments issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition. IFRS 9 is expected to be published in three parts. The first part, Phase 1 – classification and measurement of financial instruments sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. Phase 1 simplifies the measurement of financial assets by classifying all financial assets as those being recorded at amortized cost or being recorded at fair value. The effective date is for periods beginning on or after January 1, 2018, earlier adoption is allowed. Except for certain additional disclosures, the adoption of this standard is not expected to have an impact on the Corporation's financial statements.

In May 2014, the IASB published IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15"), replacing IAS 11, "Construction Contracts" and IAS 18, "Revenue" and several revenue-related interpretations. IFRS 15 establishes a single revenue recognition framework that applies to contracts with customers. The standard requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive, when control is transferred to the purchaser. Disclosure requirements have also been expanded. The new standard is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The standard may be applied retrospectively or using a modified retrospective approach. The Corporation is currently evaluating the impact of adopting IFRS 15 on the financial statements.

The Corporation has not early adopted these standards, amendments and interpretations and anticipates that the application of these standards, amendments and interpretations will not have a material impact on the financial position and financial performance of the Corporation.

5. Acquisition of Newport Environmental Technologies Ltd.

On November 25, 2014 Sparta announced the completion of the acquisition of all the issued and outstanding shares of Newport Environmental Technologies Ltd. ("Newport") for common shares of Sparta on a one-for-one basis, resulting in Newport becoming a wholly-owned subsidiary of Sparta. The transaction was completed pursuant to the terms of the Share Purchase Agreement among Sparta and the shareholders of Newport. Sparta issued 62,000,000 common shares to the shareholders of Newport.

The transaction was recognized as a capital transaction for accounting purposes.

The following summarized the amount of assets and liabilities acquired at the acquisition date, the sum of which was been recorded to share capital.

Assets acquired and liabilities assumed:

Cash	$309,239
Accounts receivable	41,107
Accounts payable	(844)
Loan payable	(347,500)
Net assets attributable to owners of the corporation	**$2,002**

6. Equipment

			2016
	Cost	**Accumulated Amortization**	**Net Book Value**
Computer equipment	5,681	852	4,829
Vehicle	10,500	1,575	8,925
	16,181	2,427	13,754

7. Share Capital

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 September 30, 2016.

Issued

On March 6, 2016 5,690,000 warrants were exercised for $0.05 each for gross proceeds of $284,500. Cash payments of $97,500 were received for the exercise of the warrants, with the remaining exercised in exchange for consulting service fees.

On October 28, 2016 the Corporation completed the third tranche of an 18,800,000 unit offering by issuing 4,366,000 units at $0.05 per unit for gross proceeds of $218,300. Each unit is comprised of one common share and one share purchase warrant of the Corporation. Each warrant entitles the holder to acquire an additional common share at a price of $0.05 per common share for up to twelve months from the date of issuance. If the volume weighted average trading price of the common shares is greater than $0.14 for 20 consecutive business days prior the warrant expiry date, the warrant expiry date may be accelerated, in the Corporation's sole discretion, to 30 business days from the date acceleration event.

On November 7, 2016 in connection with the units issued on October 28, 2016 1,026,000 warrants were exercised to purchase one common share for $0.05 each for gross proceeds of $51,300.

On March 6, 2015 the Corporation completed the first tranche of an 18,800,000 unit offering by issuing 12,664,000 units for $0.05 per unit for gross proceeds of $633,200. Each unit is comprised of one common share and one share purchase warrant of the Corporation. Each warrant entitles the holder to acquire an additional common share at a price of $0.05 per common share for up to twelve months from the date of issuance. If the volume weighted average trading price of the common shares is greater than $0.14 for 20 consecutive business days prior the warrant expiry date, the warrant expiry date may be accelerated, in the Corporation's sole discretion, to 30 business days from the date acceleration event.

On May 6, 2015 the Corporation completed the second tranche of an 18,800,000 unit offering by issuing 1,770,000 units at $0.05 per unit for gross proceeds of $88,500. Each unit is comprised of one common share and one share purchase warrant of the Corporation. Each warrant entitles the holder to acquire an additional common share at a price of $0.05 per common share for up to twelve months from the date of issuance. If the volume weighted average trading price of the common shares is greater than $0.14 for 20 consecutive business days prior the warrant expiry date, the warrant expiry date may be accelerated, in the Corporation's sole discretion, to 30 business days from the date acceleration event.

Options

A summary of the Corporation‘s outstanding stock options as at September 30, 2016 and 2015, and the changes for the years then ended, is as follows:

	Number of options	Weighted average exercise price
		$
Balance, September 30, 2014	**3,225,000**	**0.12**
Granted	2,800,000	0.05
Expired	(650,000)	(0.18)
Balance, September 30, 2015	**5,375,000**	**0.08**
Granted	-	-
Expired	(300,000)	(0.10)
Balance, September 30, 2016	**5,075,000**	**0.08**

On October 3, 2016, 550,000 options with an exercise price of $0.10 expired unexercised.

On March 23, 2015, the Corporation granted stock options to officers and directors of the Corporation for the purchase of 2,800,000 common shares at an exercise price of $0.05 per common share with an expiry date five years from the date of grant. The options vested immediately.

During the year ended September 30, 2015, the stock-based compensation expense of $92,400 was calculated based on the fair value of the stock options on the date of grant using the Black-Scholes option pricing model. The assumptions applied by the Corporation in this calculation for the fair value of the options at the date of grant were: a) dividend yield 0%, b) volatility 186.19%, c) risk-free rate 0.72%, d) forfeiture rate of 0%, e) expected life of 5 years.

As at September 30, 2016, the Corporation had the following options outstanding:

2016

Exercise Price	Options Outstanding	Options Vested	Weighted Average Remaining Contractual Life (Years)
$0.05	2,800,000	2,800,000	3.48
$0.10	2,275,000	2,275,000	1.30
	5,075,000	**5,075,000**	**2.50**

Warrants

A summary of the Corporation's share purchase warrants and the changes for the years then ended, is as follows:

	Number of Warrants	Amount $
Balance, September 30, 2014	**22,793,620**	**-**
Granted	14,434,000	144,340
Expired	(22,793,620)	-
Balance, September 30, 2015	**14,434,000**	**144,340**
Exercised	(5,690,000)	(56,900)
Expired	(8,744,000)	(87,440)
Balance, September 30, 2016	**-**	**-**

8. Related Party Transactions and Balances

As at September 30, 2016, included in accounts receivable is $45,535 (2015 - $nil) related to advances made to SETA Group, a company controlled by a Director of the Corporation .

Key management compensation

Key management includes the Corporation's Directors, the CEO, CFO and President.

As at September 30,	2016	2015
Consulting fees	147,500	87,000
Stock based compensation	-	57,750
	147,500	**144,750**

9. Capital Management

The Corporation's objectives when managing capital is to safeguard its ability to continue as a going concern by providing adequate working capital and maintaining cash on hand. The Corporation defines capital as the Corporation's shareholders' equity and loans and borrowings. At September 30, 2016 shareholders' equity was $281,050 (2015 – $71,882 deficit) and loans and borrowings were $13,000 (2015 - $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 limited working capital 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.

10. Fair value and financial risk management

Fair Value

The carrying value of cash, accounts receivable, accounts payable and accrued liabilities approximate their fair value due to the relatively short period to maturity of the instruments. The carrying amount of loans and borrowings approximate fair value as the interest rates are consistent with the current market rates.

Level 1 Fair Value Measurements are based on unadjusted quoted market prices. Cash is measured based on this approach.

Level 2 Fair Value Measurements are based on valuation models and techniques where the significant inputs are derived from quoted indices. The Corporation currently has no items recorded under this approach.

Level 3 Fair Value Measurements are based on unobservable information. The Corporation currently has no items recorded under this approach.

The Corporation's policy is to recognize transfers between fair value hierarchy levels as of the date of the event or change in circumstances which caused the transfer. There were no transfers in or out of any levels fair value hierarchy during the year ended December 31, 2016.

Financial risk management

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

Credit risk

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Corporation's trade receivables.

The Corporation has $283,769 of accounts receivable from one customer, which represents 45% of total accounts receivable.

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 working capital requirements. The Corporation had a cash balance at September 30, 2016 of $583,457 (2015 – $196,381) and a working capital of $267,296 (2015 – $71,882 deficit).

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

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency rates. The Corporation is exposed to currency risk on its U.S. dollar denominated bank accounts. The Corporation does not use derivative instruments to reduce its exposure to foreign currency risk.

11. Loss Per Share

Basic and diluted loss per share have been calculated based on the net loss divided by the weighted average number of common shares outstanding for the year ended September 30, 2016 and 2015. The weighted average number of common shares basic and diluted is as follows:

As at September 30,	**2016**	**2015**
Weighted average common shares	142,244,425	123,156,814
Effect of stock options and warrants	-	-
Balance, year end	142,244,425	123,156,814

For the year ended September 30, 2016 the weighted average outstanding calculation excludes 5,075,000 options (2015 – 5,375,000) and nil warrants (2015 – 14,434,000) that are anti-dilutive.

12. Economic dependence

Sparta Capital Ltd. earned $4,004,722 (2015 - $nil), which represents 88% (2015 – 0%) of its revenue, from two (2015 – zero) customers.

13. Income Taxes

Income tax expense varies from the amounts that would be computed by applying the basic federal and provincial income tax rates, aggregating 27.0% (2015 – 27.0%), to the loss before income taxes, as shown in the following table:

As at September 30,	**2016**	**2015**
	$	$
Net loss and comprehensive loss for the year before income taxes per financial statements	(136,068)	(502,484)
Application of basic tax rates on loss	(36,738)	(135,671)
Increase (decrease) in taxes resulting from:		
Share issuance costs	-	(2,877)
Non-deductible stock based compensation	-	24,948
Unrecognized deferred tax asset	36,738	113,600
	-	-

The deferred income tax asset is comprised of the following:

As at September 30,	**2016**	**2015**
	$	$
Non-capital losses carried forward	1,191,981	1,225,773
Capital losses carried forward	458,765	458,765
Tax basis in excess of costs for:		
Long term investment	12,456	13,571
Share issue costs	2,586	4,271
	1,665,788	1,702,380
Total unrecognized deferred tax asset	(1,665,788)	(1,702,380)
	-	-

At September 30, 2016, the Corporation has $1,810,796 (2015 - $1,810,796) of allowable capital losses available to reduce future taxable capital gains. These capital losses do not expire. The Corporation has non-capital losses carried forward for income tax purposes in the amount of $4,414,745 (2015 - $4,539,899). These non-capital losses expire as follows:

2026	272,723
2027	407,073
2028	289,673
2029	308,312
2030	440,447
2031	591,058
2032	720,311
2033	590,537
2034	141,532
2035	511,859
2036	141,220
	4,414,745

Due to the uncertainty of future taxable income, the potential income tax benefit of these losses has not been recorded in these financial statements.

14. Commitments

On March 26, 2015 the Corporation entered into an exclusive ten year agent and licensing agreement with SuperNova Performance Technologies Ltd. ("SuperNova") for their TreeFrog Transport Optimization™ systems. The exclusive agreement is such that SuperNova retains all of the intellectual property rights in connection with the product and will share the gross revenues on a pay for performance shared savings model with Sparta. The Corporation agreed to pay a $1,000,000 licensing fee to Supernova out of future sales.

On June 1, 2015 Illumineris entered into distribution agreement with Jessup Manufacturing of McHenry IL. to become a distributor of Jessup Manufacturing products. The sales territory is Canada and the initial term of the agreement is two years which automatically renews for successive one year periods. Under the terms of the agreement, Illumineris is limited to distributing Jessup products and will refrain from offering any competing products. In connection with the distribution agreement, Illumineris signed a General Security Agreement which gives Jessup Manufacturing a charge over any and all assets of Illumineris.

The Corporation leases trailers and office space including occupancy costs which require future annual payments of:

	Office	Equipment	Total
2017	$ 5,000	$ 288,000	$ 293,000
2018		168,000	168,000
	$ 5,000	$ 456,000	$ 461,000

15. Segmented reporting and non-controlling interest

A reconciliation of the Corporation and its material subsidiaries, Illumineris and ReECO Tech, as at September 30, 2016 is as follows. All inactive and immaterial subsidiaries have been included in Sparta.

2016

	Illumineris	ReECO Tech	Sparta	Total
	$	$	$	$
Current assets	226,228	1,006,079	33,745	1,266,052
Non-current assets	-	8,925	4,829	13,754
Current liabilities	(157,059)	(543,190)	(298,507)	(998,756)
Inter-company balances	(356,504)	(425,954)	782,458	-
Net assets (liabilities)	(287,335)	45,860	522,525	281,050
Revenue	478,408	4,065,259	-	4,543,667
Expenses	642,174	3,574,019	463,542	4,679,735
Inter-company transactions	-	(460,000)	460,000	-
Net income (loss) and comprehensive income (loss)	(163,766)	31,240	(3,542)	(136,068)
Net income (loss) and comprehensive income (loss) attributable to shareholders	(83,521)	15,933	(3,542)	(71,130)
Net income (loss) and comprehensive income (loss) attributable to non-controlling interest	(80,245)	15,307	-	(64,938)

All inter-company balances have been fully eliminated upon consolidation.

2015

	Illumineris	ReECO Tech	Sparta	Total
	$	$	$	$
Current assets	15,623	370	227,609	243,602
Non-current assets	-	-	-	-
Current liabilities	(14,475)	(999)	(300,010)	(315,484)
Inter-company balances	(124,718)	(2,390)	127,108	-
Net assets (liabilities)	(123,570)	(3,019)	54,707	(71,882)
Revenue	10,340	-	-	10,340
Expenses	134,910	4,017	373,897	512,824
Net loss and comprehensive loss	(124,570)	(4,017)	(373,897)	(502,484)
Net gain (loss) and comprehensive loss attributable to shareholders	(63,531)	(4,017)	(373,897)	(441,445)
Net gain (loss) and comprehensive loss attributable to non-controlling interest	(61,039)	-	-	(61,039)

All inter-company balances have been fully eliminated upon consolidation.

16. Subsequent event

On January 10, 2017 the Corporation announced a pre-acquisition agreement to take over SuperNova Performance Technologies, a transportation sector focused business with a vision of reducing greenhouse gas emissions through energy optimization.