Sparta Capital Ltd.

(“Sparta” or “Corporation”)

Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”) for the Three and Nine Month Periods ended June 30, 2018.

The following discussion and analysis should be read in conjunction with the audited, consolidated financial statements of the Corporation for the years ended September 30, 2017, and 2016.

Date

This management’s discussion and analysis is as of August 29, 2018 and is in respect of the three and nine month periods ended June 30, 2018, and 2017.

The discussion in this management’s discussion and analysis focuses on this year.

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

Adaptation is a widely used term now because almost every industry is trying to find ways to adjust to climate change and lower energy bills. Insurance, tourism, construction, manufacturing, food production, textiles, farming, and the commercial industry are all highly exposed to climate change impacts and high energy costs. Adapting so that we are not as heavily reliant on fossil fuel to meet our energy needs is beyond water cooler conversation – its serious business for a lot of organizations. Many company executives are pondering “when” they should adopt cleaner energy sources. For a lot of industries, lowering dependence on fossil fuel is becoming a matter of survival or as we like to say “a matter of sustainability.” Really what this means is, if you want to be competitive, you have to think about lowering your carbon footprint.

In short, Sparta generates revenue by capturing, converting and processing customer's existing waste and transforming it into new forms of consumable products. As such, Sparta continues to focus on growth; strengthening the company through reinvestment in future opportunities.

- over the past few months, Illumineris continued to find new ways to expand its business offering, adding products and people to address the ever expanding energy costs for commercial and industrial customers
- throughout Q3'18 Illumineris continued the expansion of its ongoing relationship with CWB Maxium Financial, allowing Illumineris to provide unique financing options to its industrial and commercial clients. This included the expansion of the previously announced services contract that is being used to expand their presence in the Power-Factor mitigation arena; providing future customers a no-cost option based solely on energy savings
- the Illumineris division showed continued growth in Q2'18 announcing a couple of significant orders equaling $700,000, and continued with the fulfillment of those contracts throughout Q3'18
- as Q2 came to a close and the colder winter weather started to break during Q3, the ReECO Tech Conversions crews started working on new projects as a Tier 1 supplier in the environment-friendly hydro-excavation services, related to the expansion of the fibre-optic information highway
- earlier last year, the Corporation announced the expansion of its ReECO Tech brand to include electronic waste recycling (or "e-waste") allowing Sparta to assist industrial and commercial operations to safely dispose of electronic waste. On November 1, 2017, ReECO Tech announced the acquisition of all the liquidated assets of ERS-International, a Toronto based electronic recycling firm, significantly expanding its e-waste presence. This division has new life, adding additional new clients throughout Q2'18
- and on December 22, 2017 the Corporation announced that the TSXV had granted final approval regarding the reactivation of Sparta from the NEX board of the TSXV to Tier 2 of the TSXV. Effective December 29, 2017, the Corporation's Common Shares commenced trading on the TSXV under the trading symbol "SAY".

The Corporation has been set up to leverage its expertise, which focuses on financing, product development, manufacturing, distribution, sales and service across a wide and growing range of technologies designed to reduce energy inefficiencies, achieve reduced emissions and increased operating efficiency for customers. Sparta also looks to re-invest in the future. All customers have the opportunity to monetize carbon credits resulting from reduced energy inefficiencies to help children around the globe through Sparta's Clean Air for Kids™ initiative.

Moving forward, Sparta will continued to expand its public message – *Capture, Convert & Optimize*™ resulting in a shift in public brand recognition from Sparta Capital to the Sparta Group (*Energy Transformed™*).

Sparta will continue to position itself to serve not one type of business, but any type of business through adaptable product and service offerings that address a wide range of issues. With a variety of green services and products that can be utilized by multiple business sectors, Sparta's Capture, Convert & Optimize mentality is becoming a more palatable option to both existing and potential customers and investors.

Under the Sparta Group™ brand, Sparta still has four main divisions:

Illumineris - is the collective term for a group of companies focused on capturing "lost" or "wasted" energy. Presently, Illumineris has three divisions: the photoluminescent safety products ("Safety") division, the comprehensive energy audit, (EMD) division, and the power factor correction ("Energy Mitigation") division. The Safety division has a distribution agreement with Jessup Manufacturing of McHenry Illinois to distribute their specialized photoluminescent exit signs and egress pathway markings, which can reduce consumption of electricity. Meanwhile, the EMD division measures and monitors energy use in commercial buildings and manufacturing facilities. It also offers turnkey solutions, as well as ongoing support. The Energy Mitigation division is focused on delivering energy management and power quality solutions and services. This includes peak power mitigation, harmonic mitigation and power factor correction for clients in industrial and commercial areas; all intended to help reduce power losses and corresponding costs. In other words, it can increase the customer's revenues.

ReECO Tech - is the collective term for a group of conversion technology companies that collect waste materials with a focus on converting such waste streams into new usable forms while helping develop environmentally sustainable economies. ReECO Tech's services provide a viable option for helping manufacturers reduce waste, save resources, save money and lower their carbon footprint. Presently ReECO Tech has three divisions; ReECO Tech Conversion Technologies Ltd. ("ReECO Tech Conversions") - originally a biomass conversion company with a focus on sequestering $C0_2$ emissions through waste diversion and converting biomass waste into consumables such as waste-to-energy products; it has since expanded to include hydro-vac services in the environment-friendly excavation arena. This is a horizontally and vertically integrated business unit has been structured to secure long term contracts to help transform communications networks while also monetizing the retrieved clean-soil waste into many new useable products; ReECO Tech Electronic Conversions Ltd. ("ReECO Tech Electronics") - is an electronics recycling company focusing on conversion and remarketing of old electronic components resulting from our ever increasing rate of change in electronic technology. This addition has expanded the ReECO Tech division into the electronic-waste sector; ReECO Tech Property Conversions Ltd. ("ReECO Tech Property") - is a division focused on investing in early stage property development where the Corporation can look to utilize earnings together with existing synergies to implement the technologies from other business units into "smart", net-zero ready, environmentally responsible community developments; designed with concern for our planet in mind.

SuperNova Performance Technologies Ltd. ("SuperNova) - is a division focusing on green initiatives, especially related to combustionand the transportation sector. SuperNova, an exciting new division for the Sparta Group, opens up opportunities in the new initiatives where SuperNova will look to explore new ventures including, but not limited to, efficient products capable of powering novel generation systems. SuperNova holds various previously tested technologies, such as the Hydrogen Power Lizard™, the Tri-PATH™ (hydrogen enhanced,exhaust gas re-compression system) and the TreeFrog Transportation Optimization Systems™ with plans for future commercialization.

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

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 three-month period ending, June 30, 2018, the Corporation has incurred a net loss from operations of $434,864 (2017 – $242,701 income) and has a working capital deficit of $7,742,333 (2017 - $230,746 positive working capital). For the nine-month period ending, June 30, 2018, the Corporation has incurred a net loss from operations of $1,301,922 (2017 – $46,274)

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. 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.

In December, Sparta completed an equity financing by issuing 10,000,000 common shares at $0.05 per share for gross proceeds of $500,000.

Further information related to the Corporation is filed on the System for Electronic Document Analysis and Retrieval ("SEDAR") and can be reviewed at www.sedar.com.

Overall Performance

It has been another busy quarter for the Corporation. With the expansion of ReECO Tech, the reinforcing of Illumineris with additional product offerings and financing options, and the continued work to develop new partnerships all created a stronger, larger business as well as a growing customer base.

Over the course of the past year, Sparta served a wide market, which included: providing energy efficient lighting solutions to multiple business operators, eliminating tonnes of electronic waste from the waste stream, conducting comprehensive energy audits for companies of varying sizes, expanding ReECO Tech equipment fleet while investing heavily in its people with advanced training, specifically as it relates to hydro-vac and directional drilling services; and zeroing in on the aquisition of property to be developed as a fully green community (housing development).

Sparta will continue to seek further opportunities and additional complimentary waste-streams to leverage its sales and marketing channels to distribute complementary products while looking to secure appropriate intellectual property to enhance the business interests of its subsidiary companies. As well, the Corporation intends, on an ongoing basis, to assess product performance and market acceptance of other innovative 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 prepared in accordance with IFRS:

	2017	**2016**	**2015**
	$	$	$
Total Assets	2,466,677	1,279,806	243,602
Total Non-Current Financial Liabilities	-	-	-
Revenues	6,964,447	4,543,667	10,340
Net loss, attributable to:			
Shareholders	(1,880,335)	(71,130)	(441,445)
Non controlling interests	(85,903)	(64,938)	(61,039)
Total	(1,966,238)	(136,068)	(502,484)
Basic and diluted net loss per share	(0.013)	(0.001)	(0.004)
Weighted average number outstanding	152,013,082	142,244,425	123,156,814

For the year ended September 30, 2017, 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:

	Q3 June 30, 2018	Q2 March 31, 2018	Q1 December 31, 2017	Q4 September 30, 2017	Q3 June 30, 2017	Q2 March 31, 2017	Q1 December 31, 2016	Q4 September 30, 2016
Net Income (Loss)	(434,864)	(267,522)	(599,536)	(1,862,864)	213,801	(193,578)	(123,567)	(80,059)
Earnings (Loss) per Share	(0.003)	(0.002)	(0.004)	(0.012)	0.001	(0.001)	(0.001)	(0.000)
Total Assets	9,267,832	3,865,481	3,794,964	2,466,677	2,002,195	1,731,129	1,321,058	1,279,806
Total Liabilities	10,828,943	5,215,047	4,890,918	3,455,787	1,713,919	1,455,981	1,079,379	998,756

All periods within the summary of quarterly results have been prepared in accordance with IFRS.

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 for the three and nine month periods ended June 30, 2018 and 2017

Overall for the three and nine month periods ended June 30, 2018 and 2017 respectively the Corporation had a loss from operations of $434,864 and $242,701 income and net loss and comprehensive loss of $434,864 and $213,801 income. The increase in the net loss in 2018 was primarily a result of the ReECO Tech Conversion Technologies division making the conscious decision to not lay off employees when business was slow throughout winter season and instead invested in the training of the entire team; positioning the company to become a Tier 1 supplier in the Bell Gigabit project.

Overall for the nine month periods ended June 31, 2018 and 2017 respectively the Corporation had a loss from operations of $1,301,922 and $46,274 and net loss and comprehensive loss of $434,864 and $103,374. The increase in the net loss in 2018 was due to the loss from the ReECO Tech Conversion Technologies division as described in the previous section.

Sales

Sales for the three months ended June 30 2018 were $3,097,579 compared to $1,507,767 an increase of $1,589,812 or 105%. The increase is due to growth within ReEco Tech Electonics. Sales for the nine months ended June 30 2018 were $8,706,436 compared to $4,609,523 an increase of $4,096,913 or 89%. The increase is due to ReEco tech Electronics of $3,301.956 and Illumineris of $1,128,349.

Expenses

Expenses for three months ended June 30

The total expenses increased to $3,532,443 during 2018, an increase of $2,267,577 representing a 179% increase from the $1,265,066 in 2017.

Transportation decreased by $235,632 or 31% to $530,821 from $766,453 due to an inherent shift in business within the ReECO Tech Conversion Technologies division from fibre capture to the environment-friendly excavation arena.

Salaries and benefits increased by $702,171 or 241% to $993,774 from $291,603 due to the expansion of the ReECO Tech Electronic Conversions division and to a decrease in the use of consultants.

Consulting fees increased by $361,409 or 253% to $218,707 from credit of $142,702 due to a shift towards more full-time employees in both ReECO Tech Conversion Technologies and ReECO Tech Electronics.

Product costs increased by $782,696 or 570% to $645,327 from credit of $137,369 due to expanded business in Illumineris and the addition of ReECO Tech Electronics.

Service costs increased by $224,970 to $226,141 from $1,171 due to expanded operations in Illumineris and a changed product mix in the ReECO Tech Conversions division

Interest expense and bank charges increased to $139,805 from a credit of $6,215 due to the SuperNova acquisition, the addition of ReECO Tech Electronics and the commitment fees for ReECO Tech Properties.

Expenses for nine months ended June 30

The total expenses increased to $10,008,358 during 2018, an increase of $3,647,439 representing a 78% increase from the $4,655,797 in 2017.

Transportation decreased by $858,619 or 36% to $1,532,682 from $2,391,301 due to a shift in business within the ReECO Tech Conversion Technologies division from fibre capture to the environment-friendly excavation arena.

Salaries and benefits increased by $2,349,995 or 386% to $2,958,036 from $608,041 due to the expansion of the ReECO Tech Electronic Conversions division.

Consulting fees increased by $429,315 or 303% to $570,829 from $141,514 due to safety training of staff relative to ISO:9001 certification in ReECO Tech Conversion Technologies and the start up of ReECO Tech Electronics.

Product costs increased by $1,495,348 or 596% to $1,746,257 from $250,909 due to and expansion in sales within the Illumineris division, the start up of the ReECO Tech Electronics division.

Service costs increased by $783,297 to $812,634 from $29,337 due to to a shift in business in the ReECO Tech Conversion Technology division.

Repairs and maintenance increased by $109,979 or 51% to $323,680 from $213,701 due to to a shift in business in the ReECO Tech Conversion Technology division.

Automotive increased by $162,585 or 577% to $190,786 from $28,201 due to expansion of ReECO Tech Conversion Technologies' operations, Illuminerus' operations and the addition of ReECO Tech Electronics.

Insurance increased by $114,717 or 298% to $153,251 from $38,534 due to the start up of ReECO Tech Electronics.

Interest and bank charges increased by $204,330 to $202,193 from credit $2,137 due to the SuperNova acquisition, the addition of ReECO Tech Electronics and the commitment fees for ReECO Tech Properties.

Occupancy increased by $375,734 or 388% to $472,565 from $96,831 due to the start up of ReECO Tech Electronics.

Marketing fees decreased by $101,916 or 41% to $148,364 from $250,280 due to the re-direction of priorities in the ReECO Tech Conversion Technologies division.

Cash Flows

The following is a summary of cash flows for the nine months ended June 30:

	YTD 2018	**YTD 2017**
Cash used in operating activities	($858,989)	$18,918
Cash provided by financing activities	$6,815,789	$350,500
Cash used in investing activities	($6,179,384)	(25,776)
Increase (decrease) in cash	($222,584)	$343,642

For the three month period ended June 2018, cash used in operations was $375,366. Cash provided by financing activities of $5,728,556 related primarily to the mortgage proceeds for the acquisition of a property in south eastern Ontario by Re-ECO Tech Property Conversions. Cash used in investing activities relates to the purchase of the land discussed above of $5,573,949.

Liquidity

The Corporation had a cash balance at June 30, 2018 of $712,806 (2017 – $927,099).

At June 30, 2018 the Corporation had a working capital deficit of $7,742,333 (2017 – positive working capital $230,746). 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.

The Corporation regularly explores business opportunities as it seeks to expand its product offerings. Prior to acceptance, each opportunity goes through a due diligence process to ensure it meets the requirements of the Corporation. Potential growth opportunities may be advanced through joint business relationships with third parties including license arrangements, partnerships and joint ventures or may be internally financed through debt or equity issuances as appropriate in the circumstances.

As of June 30, 2018, the Corporation had notes payable of $390,211, demand loan of $546,179, convertible debentures of $159,834, Obligation under capital lease of $85,686, mortage of $5,1790,000, payable to director of $325,000and other loans of $938,228.

Contractual Obligations

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 which require future annual payments of $168,000 in 2018.

Capital Expenditures

At this time, the Corporation has no material commitments for future capital expenditures.

Off-balance Sheet Arrangements

The Corporation has no off-balance sheet arrangements.

Transactions with Related Parties

As at June 30, 2018, included in loans receivable is $57,300 (September 30, 2017 - $46,633) related to advances made to SETA Group, a company controlled by a Director of the Corporation. In addition, a Director has advanced the company $325,000 (September 30, 2017 – nil). The advances are non-interest bearing and have no fixed terms of repayment.

Key management compensation

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

For the six months ended June 30,	**2018**	**2017**
Consulting fees	74,283	90,000

Financial Instruments

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.

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

	June 30, 2018	June 30, 2017
Financial Assets		
Cash and cash equivalents	712,806	927,099
Accounts receivable	1,287,257	731,270
Financial Liabilities		
Accounts payable and accrued liabilities	3,273,726	1,098,899
Loans	7,290,138	13,000

The carrying value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities 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 the loans and borrowings approximates their fair value due to the relatively short period to maturity of the instruments.

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 March 31, 2018.

The number of issued and outstanding common shares as at June 30, 2018 and as of the date of this MD&A was 174,695,890.

As at June 30, 2018 and as at the date of the MD&A the Corporation had 8,388,000 options outstanding with a range of exercise prices of $0.05 to $0.10 and a weighted average remaining contractual life of 3.44 years.

As at June 30, 2018 and as at the date of this MD&A, the Corporation had 9,996,000 warrants outstanding with an exercise price range of between $0.05 to $$1.25 per warrant and remaining average contractual life of .15 years.

Contributed surplus totaled $782,147 at June 31, 2018. The balance comprises mainly of the cumulative stock-based compensation expenses and warrants not exercised.

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 three and nine month period ending June 30, 2018.

IFRS 9 - Financial Instruments is intended to replace IAS 39 Financial Instruments: Recognition and Measurement and uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. For financial liabilities designated at fair value through profit or loss, an entity can recognize the portion of the change in fair value related to the change in the entity's own credit risk through other comprehensive income rather than profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39, and incorporates new hedge accounting requirements. The new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Corporation is currently evaluating the impact of adopting IFRS 9 on the consolidated financial statements.

IFRS 15 - Revenue from Contracts with Customers - 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 consolidated financial statements.

IFRS 16 - Leases - In January 2016, the IASB issued IFRS 16 Leases ("IFRS 16"), its new lease standard that requires lessees to recognize assets and liabilities for most leases on the statement of financial position. Lessees applying IFRS 16 will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged. The new standard will be effective from January 1, 2019 with limited early application permitted. The Corporation is currently monitoring the development of this standard and assessing the impact that adoption of this standard may have on the consolidated financial statements.

The Company 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 Company.

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 June 30, 2018 shareholders' deficit was $1,621,032 (2017 - $270,276 surplus) and loans and borrowings were at $7,290,138 (2016 - $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 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

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. However, based on the particular customer's credit history and their payment history, this is not considered a major risk.

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 2018 working capital requirements. The Corporation had a cash balance at June 30, 2018 of $712,806 (2017 – $927,099) and working capital deficit of $7,742,333 (2017 – positive working capital of $230,746).

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.

Outlook

Sparta management and staff continues to work quietly to source and build a suite of services and products that can meet the needs of our changing business landscape. That landscape is filled with customers who realize they must find ways to cope with climate change, as well as soaring energy costs. For many customers, reducing vulnerability to environmental hazards and addressing energy costs is a matter of survival. Sparta has the expertise and tools in place to assist them.