Sparta Capital Ltd.

(“Sparta” or “Corporation”)

Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”) for the Three and Twelve Month Periods ended September 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, 2018, and 2017.

Date

This management’s discussion and analysis is as of January 28, 2019 and is in respect of the years ended September 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

According to Forbes, 90 percent of CEO’s believe that sustainability is “fundamental” if you want to be a successful business. Evidence of this belief is how much attention companies are now putting on sustainable strategies, including the use of environmental products and services. Meanwhile, research shows that consumers are also demanding companies take a social and sustainable stand. Nielsen’s has reported that 81 percent of Millennials expect companies to report their corporate citizenship “publicly”. In 2015 Millennials surpassed Boomers as the largest consumer base.These Millennials have strong opinions about the environment. In fact, marketing studies indicate they do their research on companies to see which ones are actually truly green. If companies want to be competitive, they have to think seriously about lowering their carbon footprint. And all of this brings huge opportunity.

In short, Sparta's mission is to help educate its clients to better understand the benefits of going green; to realize that increased profitability is best achieved through proper *application* of technology and NOT through *application* for government subsidy. As a result, 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, with a special emphasis to those opportunities that help rid the World of waste plastics.

Over the past year, Sparta continued to focus on growth; strengthening the company through reinvestment in future opportunities that will both strengthen the balance sheet while bringing attention to the company in the public arena.

- 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 FY'18
- 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"
- With a longer and colder winter season than usual, ReECO Tech Conversions used last year's opportunity to invest in expanded training of its people while carrying on business in the less weather critical applications. As spring rounded the corner, the ReECO Tech Conversions crews started working on new projects as a Tier 1 supplier in the environment-friendly directional drilling services arena, related to the expansion of the fibre-optic information highway
- Over the past year, 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. Illumineris is now offering a suite of complimentary technologies to capture, convert and optimize customers' electrical energy services
- With more than 100 million lbs/year of unsortable waste plastic under management Sparta has been on an active quest to find viable conversion solutions to eliminate this issue from our environment. On September 14, 2018, Sparta announced that its ReECO Tech™ division had signed a Non-Binding Memo of Understanding ("M.O.U.") with Pi ECO Canada Ltd., to jointly convert unsortable waste plastics into synthetic diesel fuel, on an industrial scale (the "Joint Venture").
- Subsequent to the year ending September 30, 2018, Sparta announced entering into a formal joint venture agreement in relation to the aforementioned Joint Venture; stating that the initial project will be the construction of a facility in the Greater Toronto Area, to re-direct some 18,000 tons per year of waste plastic from landfill - converting it to synthetic fuels, such as, SAE Grade II synthetic diesel fuel. It went on to say that discussions are ongoing to obtain project financing to manufacture the plastic to fuel (PTF) technology, with an expectation of securing the same in 2019. In anticipation of this, the venture parties are simultaneously working to secure additional long-term availability of plastic feedstock, and to enter into a land lease for the development of the facility where the PTF equipment will be operated. Further, the benefits presented by the Joint Venture are two-fold: (i) transforming non-recycled plastic into a valuable commodity and (ii) creating a reliable source of alternative energy. A primary goal of this exciting direction for Sparta is the further exploration of the newest generation of plastic to fuel (PTF) technologies and how Sparta can complement and support the existing mechanical recycling infrastructure for plastics.

Overall, 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 continue to expand its public message – *Capture, Convert & Optimize™*, resulting in a shift where the company's main focus will be on using its expertise to assist in the momentous task of ridding the World of waste plastic, while profiting in the process.

However, while plastic conversion will be the company's prime focus, Sparta will continue to operate several of its existing businesses, through adaptable product and service offerings that not only address a wide range of issues, they provide additional sources of waste plastic. 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^{TM} brand, Sparta still has three existing divisions, while expanding into the flagship-fourth; i.e. plastic conversion. The existing divisions include:

Illumineris - the collective term for a group focused on capturing *"lost"* or *"wasted"* energy. Illumineris provides a complimentary suite of technologies to assist its commercial and industrial clients to save significant amounts of energy from their existing power systems with zero cost out-lay. This includes; peak power mitigation systems through energy storage technology – eliminating black-out and brown-out conditions while significantly reducing global adjustment charges; Power-factor and harmonic mitigation that brings plant voltages and currents back in sync while cleaning the electronic power systems – reducing costs through efficiencies and maintenance; LED lighting retrofits – cutting consumption by 60% – 80%; photoluminescent safety products that provide required safety lighting systems with zero energy costs; and IoT (Internet of Things) monitoring systems that can measure, monitor and optimize various energy systems in commercial and manufacturing facilities; all intended to help reduce power losses and corresponding costs.

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. This includes; ReECO Tech Conversion Technologies Ltd. ("ReECO Tech Conversions") - originally a biomass conversion company, focused on sequestering $C0_2$ emissions through waste diversion and converting biomass waste into consumables. It has since expanded into the environment-friendly excavation arena, structured to secure long term contracts to help transform communications networks while monetizing the retrieved clean-soil waste into many new usable products; ReECO Tech Electronic Conversions Ltd. ("ReECO Tech Electronics") - an electronics recycling company focusing on recycling and upcycling 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.

SuperNova Performance Technologies Ltd. ("SuperNova) - is focused on green initiatives, especially related to combustion and the transportation sector. SuperNova, opens up new opportunities and initiatives and 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.

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, 2018 the Corporation has incurred a net loss from operations of $2,181,329 (2017 $500,740) and has a working capital deficit of $7,991,492 (2017 - $1,078,610).

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.

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. 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 which could be material.

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 a productive year for The Corporation. With the expansion of ReECO Tech, the reinforcing of Illumineris with additional product offerings and financing options, the expansion into the plastic conversion arena, 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 environment-friendly communications services; and shifting the company's focus to help rid the World of unsortable waste plastics, starting with a joint venture agreement to convert a 50 tonne/day waste stream of dirty plastic into some 36,000 litres of clean synthetic liquid fuel.

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 any new Sparta products and ventures 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:

	2018	2017	2016
	$	$	$
Total Assets	8,457,280	2,466,677	1,279,806
Total Non-Current Financial Liabilities	53,404	-	-
Revenues	11,331,170	6,964,447	4,543,667
Net loss, attributable to:			
Shareholders	(957,236)	(1,760,934)	(71,130)
Non controlling interests	(1,224,093)	(205,304)	(64,938)
Total	(2,181,329)	(1.966,238)	(136,068)
Basic and diluted net loss per share	(0.013)	(0.013)	(0.001)
	Common Shares	Common Shares	Common Shares
Weighted average number outstanding	161,295,890	152,013,082	142,244,425

For the year ended September 30, 2018, 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:

	Q4 September 30, 2018	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
Net Income (Loss)	(879,407)	(434,864)	(267,522)	(599,536)	(1,862,885)	213,801	(193,587)	(123,567)
Earnings (Loss) per Share	(0.013)	0.003	(0.002)	(0.004)	(0.012)	0.001	(0.001)	(0.000)
Total Assets	8,457,318	9,267,832	3,865,481	3,794,964	2,466,677	2,002,195	1,731,129	1,321,058
Total Liabilities	10,289,074	10,828,943	5,215,047	4,890,918	3,455,787	1,713,919	1,456,981	1,079,379

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

Overall for the year ended September 30, 2018 and 2017 respectively the Corporation had a loss from operations of $2,181,329 and $500,740 and net loss and comprehensive loss of $2,181,329 and $1,966,238. The increase in the net loss in 2018 was primarily due to non-recurring expenses incurred to generate new revenue streams in ReECO Tech Conversions.

Expenses

The total expenses increased to $13,512,499 during 2018, an increase of $6,047,312 representing an 81% increase from the $7,465,187 in 2017.

Salaries and benefits increased to $4,134,679 in 2018 from $1,296,543 in 2017 as a result of expanding operations, including the non-recurring costs in ReECO Tech conversions, listed above, and the expansion of ReECO Tech Electronics.

Product costs increased to $2,401,627 in 2018 from $521,149 in 2017 as a result of expanding operations in ReECO Tech Electronics.

Trucking costs decreased to $2,330,120 in 2018 from $3,266,819 in 2017 as a result of improved efficiencies and a reduction in one of ReECO Tech Conversions' revenue streams.

Repairs and maintenance increased to $526,507 in 2018 from $347,606 in 2017 as a result of expanding ReECO Tech Conversions' operations in the environment-friendly excavation arena as well as the expansion of ReECO Tech Electronics.

Business development expenses decreased to $268,258 in 2018 from $361,930 in 2017 as the company tightened it focus on existing revenue streams.

Consulting fees increased to $852,552 in 2018 from $588,591 in 2017 due in part to the expansion of ReECO Tech Electronics.

Equipment rentals increased to $752,170 in 2018 from $496,143 in 2017 as a result of expanding ReECO Tech Conversions' operations in the environment-friendly excavation arena

Rent increased to $553,138 in 2018 from $24,000 in 2017 as a result of the expansion of ReECO Tech Electronics.

Automotive increased to $249,886 in 2018 from $55,227 in 2017 as the company increased its fleet of equipment, including trucks and tractors, in both ReECO Tech Conversions and ReECO Tech Electronics.

Interest and bank charges increased to $237,098 in 2018 from $32,471 in 2017, primarily due to securing the mortgage for ReECO Tech Property Conversion.

Office increased to $219,149 in 2018 from $122,333 in 2017 mainly due to reclassification and expansion of operations.

Insurance increased to $199,254 in 2018 from $53,823 in 2017 due to expansion of business operations.

Quarterly Operations

For the three months ended September 30, 2018 and 2017 respectively, the Corporation had a loss from operations of $879,407 and $1,862,885. For the three months ended September 30, 2018 and 2017 respectively, the Corporation had a net loss and comprehensive loss of $879,407 and $1,862,885. The increase in the net loss in 2018 was due to non-recurring costs incurred to develop new revenue streams. For the three months ended September 30, 2018 and 2017 respectively, total operating expenses increased to $3,504,104 from $2,809,390, an increase of $694,714 primarily due to consulting fees, salaries and benefits, bad debts and commissions.

Cash Flows

The following is a summary of cash flows for the twelve months ended September 30:

	2018	**2017**
Cash provided by (used in) operating activities	$ (1,020,507)	$ 28,616
Cash provided by financing activities	$ 6,287,668	$ 387,600
Cash used in investing activities	$ (5,687,296)	$ (64,283)
Increase (decrease) in cash	$ (420,135)	$351,933

In 2018 the decrease in cash of $420,135 was due to investing activities.

Liquidity

The Corporation had a cash balance at September 30, 2018 of $515,255 (2017 – $935,390).

At September 30, 2018 the Corporation had a working capital deficit of $7,991,482 (2017 – $1,078,610). 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 September 30, 2018, the Corporation had notes payable of $997,703, mortgages of $5,109,063, obligations under capital lease of $79,295, and other loans of $1,282,168

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 equipment and office space and recycling facilities including occupancy costs which require future annual payments of:

	Premises	Equipment	Total
2019	$ 352,818	$ 81,654	$ 434,471
2020	356,873	81,654	438,527
2021	356,873	53,379	410,252
2022	356,873	29,638	386,511
2023	356,873	-	356,873
	$1,780,310	$ 456,000	$ 461,000

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 September 30, 2018, included in accounts receivable is $56,555 (2017 - $46,633) 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,	2018	2017
Consulting fees	74,283	45,135
Stock-based compensation	49,450	-
	123,733	**45,135**

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:

	September 30, 2018	September 30, 2017
Financial Liabilities		
Other financial liabilities:		
Financial Assets		
Held for trading financial assets:		
Cash and cash equivalents	515,255	935,390
Accounts receivable	1,433,338	1,258,161
Financial Liabilities		
Other financial liabilities:		
Accounts payable and accrued liabilities	2,818,045	1,765,904
Loans	7,468,229	1,469,349

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 September 30, 2018.

The number of issued and outstanding common shares as at September 30, 2018 and 2017 was 181,165,090 and 161,295,890 as of the date of this MD&A.

As at September 30, 2018 the Corporation had 8,238,000 options outstanding with a range of exercise prices of $0.05 to $0.10 and a weighted average remaining contractual life of 3.245 years. As of the date of this MD&A the Corporation had 10,273,000 options outstanding with a range of exercise prices of $0.05 to $0.10 and a weighted average remaining contractual life of 3.593 years.

As at September 30, 2018 and as at the date of this MD&A, the Corporation had no warrants outstanding.

Contributed surplus totalled $1,345,752 at September 30, 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 year ended September 30, 2018.

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 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 September 30, 2018 shareholders' deficit was $1,778,352 (2017 - $989,110) and loans and borrowings were at $7,468,229 (2017 - $1,469,349). 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:

<u>Credit Risk</u>

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

The Corporation has $444,476 (2017 - $369,490) of accounts receivable from one customer (2017 – one), which represents 27% (2017 – 30%) of the total accounts receivable. 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 working capital requirements. The Corporation had a cash balance at September 30, 2018 of $515,255 (2017 – $935,390) and working capital deficit of $7,991,492 (2017 - $1,078,610).

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

The Sparta team has been working to meet the demands of a changing business landscape; a landscape that demands solutions to cope with soaring energy costs and climate change. For many businesses, addressing energy costs is a matter of survival and for consumers addressing environmental hazards is a must. Sparta has been carefully building a suite of products and services to address these demands and will continue to seek out new opportunities to add to this list of environmental technologies. The Sparta commitment will always be to measure, prevent, limit, minimize or correct environmental damage and in doing so, help companies become more sustainable and more competitive. By applying this expertise to the massive stores of plastic the company presently has under management, Sparta feels confident that they can have a significant impact on helping rid the World of waste plastics; giving the dormant carbon-chains one more useful life on their journey back to Earth.