SPARTA CAPITAL LTD.

Calgary, Alberta

UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three-month periods ending December 2018 and 2017

NOTICE: The accompanying unaudited consolidated interim financial statements and notes thereto for the three-month periods ending December 31, 2018 and 2017 have been prepared by management. These financial statements have not been reviewed by the Corporation's external auditors.

Sparta Capital Ltd.

Unaudited Consolidated Interim Statements of Financial Position

As at	Note	December 31, 2018	September 30, 2018
		$	$
Assets			
Current assets			
Cash		646,700	515,255
Accounts receivable		1,412,783	1,433,338
Inventories		34,569	49,569
Prepaid expenses		157,435	173,516
Notes receivable		35,000	72,500
Receivable from related parties		470,288	-
		2,756,775	2,244,178
Property and equipment	9	563,837	6,213,102
		3,320,612	8,457,280
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		2,969,570	2,818,045
Deferred revenue		-	2,800
Notes payable	5	808,847	997,703
Loans payable	7	1,288,107	1,282,168
Current portion of obligation under capital lease	8	28,169	25,891
Mortgage loan		-	5,109,063
		5,094,693	10,235,670
Obligation under capital lease		46,846	53,404
		5,141,539	10,289,074
Shareholders' equity (deficit)			
Share capital	10	8,602,797	8,602,797
Share subscription receivable		(20,000)	(85,000)
Contributed surplus		1,345,752	1,345,752
Deficit		(9,768,316)	(10,032,886)
Total equity attributable to equity holders of the Corporation		160,233	169,337
Equity attributable to non-controlling interest		(1,981,160)	(1,662,457)
		(1,820,927)	(1,831,794)
Going concern	2	3,320,612	8,457,280

Approved on behalf of the Board:

Signed: *"Peter Quattrociocchi"* Signed: *"John O'Bireck"*

Director Director

See accompanying notes to the unaudited consolidated interim financial statements.

Sparta Capital Ltd.

Unaudited Consolidated Interim Statements of Comprehensive Loss

For the three-month periods ending December 31,	Note	2018	2017
		$	$
Revenue		3,056,698	2,875,025
Expenses			
Transportation		628,071	639,591
Product Costs		417,759	834,704
Amortization		36,614	23,531
Automotive		13,685	74,088
Business development		14,285	14,473
Consulting fees		210,455	231,435
Equipment rental		175,366	318,302
Insurance		53,980	30,525
Bank charges and interest		94,801	19,024
Financing fees		9,375	-
License and fees		9,527	15,782
Office		63,465	37,758
Professional fees		36,744	60,817
Occupancy		118,800	76,563
Property taxes		21,314	-
Repairs and maintenance		226,364	131,689
Salaries and benefits		1,189,501	958,662
Marketing		2,170	-
Exchange (gains) losses		(9)	7,617
Total expenses		3,322,267	3,474,561
Loss from operations		(265,569)	(599,536)
Gain on disposition of control of subsidiary		211,436	-
Net loss and comprehensive loss for the period		(54,133)	(599,536)
Net loss and comprehensive loss attributable to:			
Shareholders		37,495	(382,396)
Non-controlling interests		(91,628)	(217,140)
		(54,133)	(599,536)
Net loss per share:			
Basic	14	(0.003)	(0.001)

See accompanying notes to the unaudited consolidated interim financial statements.

Sparta Capital Ltd.

Unaudited Consolidated Interim 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, October 1, 2018	181,165,090	8,602,797	1,345,752	1,345,752	(85,000)	-	(10,032,886)	(1,662,457)	(1,831,794)
Private placement	-	-	-	-	65,000	-	-	-	65,000
Non-controlling interest	-	-	-	-	-	-	37,495	(91,628)	(54,133)
Loss for the period	-	-	-	-	-	-	227,075	(227,075)	-
Balance, December 31, 2018	181,165,090	8,602,797	1,345,752	1,345,752	(20,000)	-	(9,768,316)	(1,981,160)	(1,820,927)
Balance, October 1, 2017	161,295,690	7,606,437	715,347	195,332	-	-	(9,075,650)	(430,576)	(989,110)
Private placement	10,000,000	500,000	-	-	-	-	-	-	500,000
Conversion of debentures	5,900,000	236,000	-	59,000	(85,000)	-	-	-	210,000
Shares issued to settle AP	119,200	5,960	-	-	-	-	-		5,960
Warrants exercised	3,700,000	240,000	-	(55,000)	-	-	-	-	185,000
Warrants expired	-	-	199,332	(199,332)	-	-	-		-
Stock options granted	-	-	285,448	-	-	-	-		285,448
Stock options exercised	150,000	14,400	(6,900)	-	-	-	-		7,500
Shares of sub issued to settle AP	-	-	152,525	-	-	-	-		152,525
Non-controlling interest	-	-	-	-	-	-	-	(7,786)	(7,788)
Loss for the period	-	-	-	-	-	-	(957,236)	(1,224,093)	(2,181,329)
Balance, December 31, 2017	181,165,090	8,602,797	1,345,752	-	(85,000)	-	(10,032,886)	(1,662,457)	(1,831,794)

See accompanying notes to the unaudited consolidated interim financial statements.

Sparta Capital Inc.
Unaudited Consolidated Interim Statements of Cash Flows

For the three-month periods ending December 31,	Note	2018	2017
		$	$
Cash provided by (used in):			
Operations:			
Net loss and comprehensive loss for the period		(54,133)	(599,536)
Items not involving cash:			
Disposition of control of subsidiary		(231,634)	-
Amortization of capital assets		36,614	23,531
Amortization of financing costs		9,375	-
Change in non-cash working capital			
Accounts receivable		(19,455)	(351,118)
Inventories		(15,000)	(67,390)
Prepaid expenses		(3,145)	(72,093)
Notes receivable		-	(156,938)
Accounts payable and accrued liabilities		207,096	1,096,752
Deferred revenue		(2,800)	(220,534)
Income taxes payable		-	(1,826)
Cash flows from operations		(2,118)	(349,152)
Investing:			
Purchase of equipment		(2,114)	(104,565)
Cash flows used in investing		(104,565)	(104,565)
Financing:			
Share subscriptions received		65,000	75,000
Proceeds from share issuance		-	175,000
Loan proceeds		5,939	67,253
Obligation under capital lease		(4,280)	-
Notes payable		64,812	-
Cash flows from financing		131,471	317,253
Increase (decrease) in cash		(131,445)	(136,464)
Cash, beginning of period		515,255	935,390
Cash, end of period		646,700	798,926

See accompanying notes to the unaudited consolidated interim 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 390 Bay Street, Suite 1202, Toronto, ON M5H 2Y2 and registered office at Suite 1600, Dome Tower, 333 - 7th Avenue S.W. Calgary, Alberta, T2P 2Z1. The Corporation is publicly listed on the TSX Venture Exchange under the symbol "SAY".

The Corporation seeks to leverage its expertise in product development, manufacturing, distribution, sales and service across a range of complementary products. In addition, Sparta engages in exploring future investment opportunities to increase shareholder value.

Over the past three years, the Corporation offerings included three different environmentally centered market verticals that were executed 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 waste and biomass conversion, and energy savings in transportation.

This offering has been expanded to include the conversion of waste plastic into various forms of energy. And while plastic conversion will be the prime focus, Sparta will continue to operate its existing businesses, through adaptable product and service offerings that not only address a wide range of issues, but also provide additional sources of waste plastic. The demand for sustainable options and Sparta's ability to offer multiple sectors a variety of green services and products means that the *Capture, Convert & Optimize* mentality is becoming a more realistic option for existing customers, potential customers, as well as investors.

The following is a brief summary of the existing divisions:

- **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.

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 three-month period ending, December 31, 2018, the Corporation has incurred a net loss from operations of $265,569 (2017 – $599,536) and has a working capital deficit of $2,337,918 (September 30, 2018 - $7,991,492).

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.

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 March 1, 2019.

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 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 voting-controlled subsidiaries of the Corporation and their principal activities as at December 31, 2018 were as follows:

Name of subsidiary		Principal activity
ReECO Tech Conversion Technologies Ltd.	10%	Transportation services and product development
ReECO Tech Electronic Conversions Ltd.	11%	Electronics recycling and resale
Illumineris Inc.	10%	Product distribution
Illumineris Systematics Inc.	11%	Product distribution and installation
SuperNova Performance Technologies Ltd.	100%	Product development
Sparta Technologies 4 Mining Ltd.	100%	Product development
Newport Environmental Technologies Ltd.	100%	Inactive

For those subsidiaries not wholly owned, 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 and share purchase warrants not issued as part of a unit - estimates for forfeiture rates, volatility, expected dividend yield and expected life.
- Revenue recognition and contracts in progress - Revenue on a construction contract is recognized on a percentage of completion basis. In applying the accounting policy on construction contracts, judgment is required in determining the estimated costs to complete the contract. These estimates are reviewed as at each reporting period.

(ii) Judgments

Judgments in applying accounting policies are as follows:

- Going concern – the ability of the Corporation to continue as a going concern.
- Acquisitions – whether the assets acquired, and liabilities assumed constitute a business as defined in IFRS 3 and if the integrated set of activities, including inputs, and processes acquired, is capable of being conducted and managed as a business.

4. Significant Accounting Policies

The unaudited consolidated interim financial statements follow the same accounting policies as the most recent annual audited consolidated financial statements. The interim consolidated financial statements note disclosures do not include all of those required by IFRS applicable for annual consolidated financial statements. Accordingly, these interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended September 30, 2018.

5. Acquisition

On July 5, 2017, Sparta completed a transaction which resulted in the acquisition of SuperNova Performance Technologies Ltd. ("SuperNova"). In exchange for all the issued and outstanding common shares and share purchase warrants of SuperNova, Sparta issued 9,849,750 common shares and 6,196,000 share purchase warrants on a 1:1 basis. In completing the transaction, Sparta acquired access to licenses to certain pre-commercial products. Due to the uncertainty of commercial viability of these products, the cost of the acquisition has been expensed.

As SuperNova is deemed not to be a business in accordance with IFRS 3, the transaction has been treated as an asset acquisition.

The Purchase price consideration:

	Amount ($)
Common shares @ $0.04	393,990
Share purchase warrants (Note 8)	114,532
	508,522

The Purchase price consideration was allocated as follows:

Cash	1,717
Accounts receivable	190,180
Capital assets - equipment	20,390
Loans payable	(914,470)
Promissory note	(254,793)
Net assets (liabilities) acquired	**(956,976)**
Loss recognized on acquisition	1,465,497
	508,522

In connection with the acquisition of SuperNova, Sparta assumed liabilities in the form of a promissory note and loans payable balances. The promissory note in the amount of $254,793 includes accrued interest. The note has no fixed terms of repayment and accrues interest at the rate of 3.0% compounded annually. In addition, Sparta assumed loans payable of $914,470. These loans have no fixed terms of repayment and accrue interest at 3.0% per annum.

Upon the completion of the transaction, SuperNova became a wholly owned subsidiary of Sparta.

At the time of acquisition, SuperNova had cumulative non-capital losses totaling $2,330,942. Sparta has not recognized a deferred income tax asset related to the non-capital losses.

On May 24, 2018 Sparta Capital Ltd. announced that Re-ECO Tech Property Conversions Ltd. had completed the acquisition and refinancing of a land development property in south eastern Ontario (the "Property"). The Property was purchased, pursuant to an Agreement of Purchase and Sale, subject to normal adjustments, for $6,525,000.00 and was refinanced with a new first-charge mortgage in the principal amount of $5,170,000.00 with an institutional lender at industry standard rates and terms. The mortgage bears interest at 6%, has two-year term and is repayable on demand. The ReECO Tech vision is to update the existing subdivision draft plan approval and then in collaboration with industry partners to develop an environmentally responsible community that integrates various energy efficient and green technologies while utilizing existing synergies offered under the Sparta Group of Companies' umbrella. On December 20, 2018 the corporation sold its controlling interest in Re-ECO Tech Property Conversions Ltd., effective December 30, 2018. The corporation with still retain a minor interest, thus retaining all the benefits it was intended to receive; without the risk.

6. Convertible Debentures

On September 26, 2017, Sparta closed a $365,000 debt financing through the issuance of convertible unsecured subordinated debentures (convertible debentures). At September 30, 2017, $75,000 of proceeds is receivable. The convertible debentures mature one year from the date of issue and bear interest at a rate of 8% per annum, payable semi-annually in arrears on June 30th and December 31st in each year commencing December 31, 2017. The debentures can be converted at a value of $0.05 into one unit where each unit is comprised of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one common share for $0.05 per share expiring one year from the date of issuance.

The convertible debentures are compound financial instruments containing a liability component and an equity component. The fair value of the liability component at the time of issue of $349,834 was calculated as the discounted cash flows for the convertible debenture assuming a 12% interest rate which was based on the estimated market interest rate for debt financing without a conversion feature. The fair value of the equity component (conversion feature) of $15,166 was determined at the time of issue as the difference between the fair value of the compound convertible debenture and the fair value of the liability component.

On September 26, 2017, holders of $70,000 of convertible debentures exercised their rights under the agreement and converted their debentures into 1,400,000 common shares and 1,400,000 share purchase warrants.

During the year ended September 30, 2018, holders of the remaining $295,000 of convertible debentures exercised their rights under the agreement and converted their debentures into 5,900,000 common shares and 5,900,000 share purchase warrants.

During the year ended September 30, 2018, 2,700,000 share purchase warrants were exercised with the remaining 4,600,000 share purchase warrants expiring unexercised.

7. Loans Payable

In November 2017, ReECO Tech Electronic Conversions Ltd. acquired all of the liquidated assets of ERS International, a Toronto based electronics recycling firm. Pursuant to the acquisition, the Corporation has agreed to purchase the assets of ERS for a purchase price of $506,179 as well as assumption of premises security deposit of $40,000. In consideration for the purchase of the assets of ERS International, Sparta issued a demand note payable of $546,179 bearing interest at 11%.

8. Obligations Under Capital Lease

ReECO Conversions Technologies entered into a capital lease for a term of 48 months with monthly payments of principal and interest of $2,275. There is an option to purchase for $1 at the end of the lease. The interest rate is 2.1%.

9. Property and equipment

			December 31, 2018
	Cost	Accumulated Amortization	Net Book Value
	$	$	$
Equipment	478,650	82,672	395,978
Vehicles	231,500	63,641	167,859
	710,150	146,313	563,837

			September 30, 2017
	Cost	Accumulated Amortization	Net Book Value
	$	$	$
Land	5,614,796	-	5,614,796
Equipment	476,506	55,298	421,208
Vehicle	231,500	54,402	177,098
	6,322,802	109,700	6,213,102

Included in equipment is an asset under capital lease with a net book value of $80,602.

During the past year, the Corporation acquired capital assets of $500,870 and other items funded through the issuance of a promissory note payable of $546,179.

10. 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 December 31, 2018.

Issued

During the year ended September 30, 2018, the Corporation completed a private placement of 10,000,000 common shares for proceeds of $500,000.

On September 26, 2017, holders of convertible debentures with a total value of $70,000 exercised their conversion rights and were issued 1,400,000 common shares and 1,400,000 share purchase warrants of the Corporation.

In connection with the purchase of SuperNova (Note 5), the Corporation issued 9,849,750 common shares and 6,196,000 share purchase warrants as consideration for the purchase of all outstanding shares of the Corporation.

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.

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

Options

A summary of the Corporation's outstanding stock options as at September 30, 2018 and 2017, and the changes for the years then ended, is as follows:

	Number of options	Weighted average exercise price
		$
Balance, September 30, 2017	**3,400,000**	**0.06**
Granted	5,588,000	(0.05)
Exercised	(150,000)	(0.05)
Expired	(600,000)	(0.10)
Balance, September 30, 2018	**8,238,000**	**0.05**
Granted	2,035,000	(0.07)
Exercised	-	-
Expired	-	-
Balance, December 31, 2018	**10,273,000**	**0.054**

On November 10, 2017, the Corporation granted stock options to certain officers, directors and consultants for the purchase of 3,588,000 common shares of the Corporation at an exercise price of $0.05 per common share. These options will expire on November 20, 2022. The options vested immediately. Stock-based compensation expense of $165,048 was recorded 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 100%, c) risk-free rate 1.68%, d) forfeiture rate of 0%, e) expected life of 5 years.

On November 10, 2017, Sparta granted stock options in accordance with certain consulting agreements for the purchase of 2,000,000 common shares in., a majority owned subsidiary of the Corporation. The stock options are exercisable at a price of $0.05 per common share and expire on November 20, 2022. The options vest when certain sales milestones are met in accordance with the agreement. During the year, four of five sales milestones were met and 1,600,000 stock options vested. Stock-based compensation expense of $120,400 was recorded 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 vesting were: a) dividend yield 0%, b) volatility 100%, c) risk-free rate between 1.86 to 2.33%, d) forfeiture rate of 0%, e) expected life of 5 years.

During the year, 150,000 were exercised and 600,000 options expired in accordance with Sparta's stock option plan.

On October 30, 2018, the Corporation granted stock options to certain officers, directors and consultants for the purchase of 2,035,000 common shares of the Corporation at an exercise price of $0.07 per common share. These options will expire on October 30, 2023. The options vested immediately.

2018

Exercise Price	Options Outstanding	Options Exercisable	Weighted Average Remaining Contractual Life (Years)
$0.05	2,800,000	2,800,000	1.20
$0.05	5,438,000	5,038,000	3.84
$0.07	2,035,000	-	4.83
	10,273,000	**7,838,000**	**3.32**

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, 2016	-	-
Issued	4,366,000	87,320
Exercised	(1,026,000)	(20,520)
Issued in acquisition of SuperNova (i)	6,196,000	114,532
Issued on conversion of convertible debentures	1,400,000	14,000
Balance, September 30, 2017	**10,936,000**	**195,332**
Issued on conversion of convertible debentures	5,900,000	59,000
Exercised	(3,700,000)	(55,000)
Expired	(13,136,000)	199,332
Balance, December 31, 2018	**-**	**-**

(i) In connection with the acquisition of SuperNova, Sparta issued 6,196,000 warrants (Note 5). Each warrant was issued at with similar terms as the SuperNova warrants that were replaced. Each warrant entitles the holder to purchase one common share at a price between $0.05 and $1.25. During the year ended, 1,000,000 of these warrants were exercised for proceeds of $50,000

Warrants issued (Note 5)	Exercise price ($)
1,000,000	0.05
4,996,000	0.25
200,000	1.25
6,196,000	

The fair value of the 6,196,000 warrants of $114,532 was calculated on July 5, 2017, the date of grant, using the Black-Scholes option pricing model. The assumptions applied by Sparta in this calculation were: a) expected dividend yield 0%, b) volatility 217%, c) risk-free interest rate 1.14%, d) expected life of 1 year.

11. Related Party Transactions and Balances

As at December 31, 2018, included in loans receivable is $74,555 (September 30, 2018 - $56,555) related to advances made to SETA Group, a company controlled by a Director of the Corporation.

Key management compensation

For the months ended December 31	**2018**	**2017**
Consulting fees	-	74,283
Stock-based compensation	-	-
	-	**74,283**

12. 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 December 31, 2018 shareholders' deficit was $1,820,927 (September 30, 2018 – $1,831,794 shareholders' equity) and loans and borrowings were $2,171,969 (September 30, 2018 - $7,468,229). The Corporation manages its capital structure and adjusts it considering 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, considering 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.

13. Fair Value and Financial Risk Management

<u>Fair Value</u>

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 fair value of loans payable, notes payable and convertible debentures are not materially different that carrying value.

> *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 period ended December 31, 2018.

<u>Financial risk management</u>

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 $1,059,218 (September 30, 2018 $444,476) of accounts receivable from two customers (September 30, 2018 – one), which represents 75 % (September 30, 2018 - $27%) 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 December 31, 2018 of $646,700 (September 30, 2018 – $515,255) and a working capital deficit of $2,337,918 (September 30, 2018 – $7,991,492).

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.

14. Net 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 period ended December 31, 2018 and 2017. The weighted average number of common shares basic and diluted is as follows:

	2018	**2017**
Weighted average common shares	181,165,090	169,568,580
Balance, December 31	181,165,090	169,568,580

For the year ended September 30, 2018 the weighted average outstanding calculation excludes the following instruments that are contingently issuable as they are anti-dilutive:

- 7,838,000 options (2017 – 3,400,000).

15. Economic Dependence

Sparta Capital Ltd. earned $1,877,532 (2017 - $1,338,895), which represents 61% (2017 – 47%) of its revenue, from four (2017 – four) customers.

16. Commitments

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 all assets of Illumineris.

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

	Office and facilities	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

17. Segmented reporting and non-controlling interest

A reconciliation of the Corporation and its material subsidiaries, Illumineris and ReECO Tech, for the three months ending and as at December 31, 2018 and 2017 is as follows. All inactive and immaterial subsidiaries have been included in Sparta.

For the three months ending and as at December 31, 2018

	ReECO Electronics	Illumineris	ReECO Conversions	ReECO Property	Sparta	Total
	$	$	$	$	$	$
Current assets	830,148	342,256	1,013,211	-	571,161	2,756,775
Non-current assets	434,158	-	111,509	-	18,170	563,837
Current liabilities	(876,040)	(112,424)	(2,355,842)	-	(1,750,386)	(5,094,693)
Non-current liabilities	-	-	(46,846)	-	-	(46,846)
Inter-company balances	(354,664)	(411,574)	(615,645)	-	1,381,883	-
Net assets (liabilities)	33,601	(181,742)	(1,893,613)	-	220,828	(1,820,926)
Revenue	1,296,112	82,602	1,590,842	87,143	-	3,056,698
Expenses	1,144,741	77,673	1,826,315	168,454	105,104	3,322,267
Gain on disposition of control of subsidiary	-	-	-	211,436	-	211,436
Intercompany transactions	150,000	-	-	-	150,000	-
Net income (loss) and comprehensive income (loss)	1,371	4,949	(235,474)	130,125	44,896	(54,133)
Net income (loss) and comprehensive income (loss) attributable to shareholders	151	629	(21,193)	13,012	44,896	37,495
Net income (loss) and comprehensive income (loss) attributable to non-controlling interest	1,220	4,320	(214,281)	117,113	-	(91,628)

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

For the three months ending and as at December 31, 2017	ReECO Electronics	Illumineris	ReECO Conversions	Sparta	Total
	$	$	$	$	$
Current assets	345,333	688,109	1,566,270	213,540	2,813,252
Non-current assets	471,703	-	164,148	20,861	656,712
Current liabilities	(852,088)	(447,650)	(1,881,652)	(1,709,528)	(4,890,918)
Inter-company balances	(664)	(471,683)	(560,754)	1,033,101	-
Net assets (liabilities)	(35,716)	(231,224)	(711,988)	(442,026)	(1,420,954)
Revenue	543,538	912,027	1,419,461	-	2,875,026
Expenses	579,691	908,720	1,829,165	156,986	3,474,562
Net income (loss) and comprehensive income (loss)	(36,153)	3,307	(409,704)	(156,986)	(599,536)
Net income (loss) and comprehensive income (loss) attributable to shareholders	(18,113)	1,687	(208,984)	(156,986)	(382,396)
Net income (loss) and comprehensive income (loss) attributable to non-controlling interest	(18,040)	1,620	(200,720)	-	(217,140)

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