SPARTA CAPITAL LTD.

Calgary, Alberta

UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and nine months ended June 2019 and 2018

NOTICE: The accompanying unaudited consolidated interim financial statements and notes thereto for the three and nine months ended June 30, 2019 and 2018 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	June 30, 2019	September 30, 2018
		$	$
Assets			
Current assets			
Cash		333,339	515,255
Accounts receivable		1,286,752	1,433,338
Inventories		77,650	49,569
Prepaid expenses		160,678	173,516
Loans and notes receivable		518,788	72,500
		2,377,207	2,244,178
Property and equipment	7	488,464	6,213,102
		2,865,671	8,457,280
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		2,762,291	2,818,045
Deferred revenue		-	2,800
Notes payable		811,472	997,703
Loans payable		1,299,986	1,282,168
Current portion of obligation under capital lease	6	26,288	25,891
Mortgage loan		-	5,109,063
		4,900,037	10,235,670
Obligation under capital lease – net of current portion		33,637	53.404
		4,933,674	10,289,074
Shareholders' equity (deficit)			
Share capital	8	8,642,947	8,602,797
Share subscription receivable		(20.000)	(85,000)
Warrants	10	11,000	-
Contributed surplus		1,345,752	1,345,752
Deficit		(10,171,707)	(10,032,886)
Total equity attributable to the equity holders of the Corporation		(192,008)	(169,337)
Equity attributable to non-controlling interest		(1,875,995)	(1,662,457)
		(2,068,003)	(1,831,794)
		2,865,671	2,466,677
Going concern	2		

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 Income (Loss)

		Three months ended June 30,		Nine months ended June 30,	
		2019	2018	2019	2018
		$	$	$	$
Sales		2,862,048	3,097,579	8,182,612	8,706,436
Expenses					
Transportation		441,501	689,460	1,296,264	1,994,813
Salaries and benefits		885,915	1,018,921	3,003,151	2,957,496
Business development		12,692	23,748	44,497	198,859
Consulting fees		231,750	227,706	721,669	629,404
Product costs		568,674	647,970	1,420,074	1,764,138
Repairs and maintenance		179,876	91,478	574,478	330,088
Equipment rental		202,837	108,685	476,099	544,038
Office		37,968	51,472	129,827	158,173
Bad debts		29,115	157,442	29,115	157,021
Professional fees		19,111	29,019	117,595	110,787
Automotive		33,249	45,892	80,937	195,056
Insurance		45,278	70,086	138,976	153,251
Licenses and fees		13,627	9,056	36,452	56,063
Interest and bank charges		25,029	130,226	160,372	187,845
Occupancy		116,977	191,287	409,434	469,270
Amortization		36,614	31,914	109,842	87,662
Exchange (gains) losses		635	8,081	(2,375)	14,394
Total expenses		2,880,848	3,532,443	8,746,407	10,008,358
Loss from operations		(18,800)	(434,864)	(563,795)	(1,301,922)
Gain on disposition of control of subsidiary		-	-	211,436	-
Net loss and comprehensive loss for the period		(18,800)	(434,864)	(352,359)	(1,301,922)
Net income (loss) and comprehensive loss attributable to:					
Shareholders		(82,180)	(242,145)	(365,896)	(719,362)
Non-controlling interest	16	63,380	(192,719)	13,537	(582,560)
		(18,800)	(434,864)	(352,359)	(1,301,922)
Net loss per share basic and diluted	14	(0.003)	(0.003)	(0.002)	(0.008)

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	-	(85,000)	-	(10,032,886)	(1,662,457)	(1,831,794)
Private placement	-	-	-	-	65,000	-	-	-	65,000
Loss for the period	-	-	-	-	-	-	37,495	(91,628)	(54,133)
Non-controlling interest	-	-	-	-	-	-	227,075	(227,075)	-
Balance, December 31, 2018	181,165,090	8,602,797	1,345,752	-	(20,000)	-	(9,768,316)	(1,981,160)	(1,820,927)
Private placement	1,100,000	44,000	-	11,000	-	-	-	-	55,000
Share issuance costs	-	(3,850)	-	-	-	-	-	-	(3,850)
Loss for the period	-	-	-	-	-	-	(321,221)	41,785	(279,426)
Non-controlling interest	-	-	-	-	-	-	-	2	2
Balance, March 31, 2019	182,265,090	8,642,947	1,345,752	11,000	(20,000)	-	(10,089,527)	(1,939,373)	(2,049,201)
Non-controlling interest	-	-	-	-	-	-	-	(2)	(2)
Loss for the period	-	-	-	-	-	-	(82,180)	63,380	(18,800)
Balance, June 30, 2019	182,265,090	8,642,947	1,345,752	11,000	(20,000)	-	(10,171,707)	(1,875,995)	(2,049,201)

Balance, October 1, 2017	161,295,890	7,606,437	715,347	195,332	-	-	(9,304,136)	(202,090)	(989,110)
Private placement	11,000,000	550,000	-	-	(325,000)	325,000	-	-	550,000
Warrants expired	-	-	66,800	(66,800)	-	-	-	-	-
Convertible debenture	2,400,000	96,000	-	24,000	-	-	-	-	120,000
Loss for the period	-	-	-	-	-	-	(753,155)	(548,767)	(1,301,922)
Balance, June 30, 2018	174,695,890	8,252,437	782,147	152,532	(325,000)	325,000	(10,057,291)	(750,857)	(1,621,032)

See accompanying notes to the unaudited consolidated interim financial statements.

Sparta Capital Inc.
Unaudited Consolidated Interim Statements of Cash Flows

	Three months ended June 30,		Nine months ended June 30,	
	2019	2018	2019	2018
	$	$	$	$
Cash provided by (used in):				
Operations:				
Net loss and comprehensive loss for the period	(18,800)	(434,864)	(352,359)	(1,301,922)
Items not involving cash:				
Gain on disposition of control of subsidiary	-	-	(231,684)	-
Amortization of capital assets	36,614	31,914	9,375	87,662
Amortization of financing costs	-	-	-	-
	17,814	(402,950)	(464,776)	(1,214,260)
Change in non-cash working capital	85,695	27,584	100,825	355,271
Cash flows provided (used) in operations	103,509	(375,366)	(363,951)	(858,989)
Investing:				
Equipment	-	-	-	(605,435)
Land	-	(5,573,949)	-	(5,573,949)
Cash flows from investing	-	(5,573,949)	-	(6,179,384)
Financing:				
Share subscriptions received	-	52,500	65,000	52,500
Proceeds from share issuance	-	170,000	40,150	617,500
Warrants	-	-	11,000	-
Convertible debentures	-	(120,000)	-	(120,000)
Notes payable	1,312	131,480	67,437	134,105
Loan proceeds	5,939	5,940	17,818	550,998
Mortgage proceeds	-	5,170,000	-	5,170,000
Received from related parties	-	325,000	-	325,000
Obligation under capital lease	(6,488)	(6,364)	(19,370)	85,686
Cash flows from financing	763	5,728,556	182,035	6,815,789
Increase (decrease) in cash	104,272	(220,759)	(181,916)	(222,584)
Cash, beginning of period	229,067	933,565	515,255	935,390
Cash, end of period	333,339	712,806	333,339	712,806

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 registered office at Suite 1600, Dome Tower, 333 - 7th Avenue S.W. Calgary, Alberta, T2P 2Z1. Additionally, the Corporation has an office located at 1202-390 Bay Street, Toronto, Ontario, M5H 2Y2. 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. 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 nine-month period ending, June 30, 2019, the Corporation has incurred a net loss from operations of $563,795 (2018 – $1,301,922) and has a working capital deficiency of $2,522,830 (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 August 29, 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 June 30, 2019 were as follows:

Name of subsidiary		Principal activity
Newport Environmental Technologies Ltd.	100%	Transportation
Sparta Technologies 4 Mining Ltd.	100%	Product development
Illumineris Inc.	51%	Product distribution
Illumineris Systematics Inc.	56%	Product distribution and installation
ReECO Tech Conversion Technologies Ltd.	51%	Product development
SuperNova Performance Technologies Ltd.	100%	Product development
ReECO Tech Electronic Conversions Ltd.	56%	Electronics recycling

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 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 still retains a non-controlling interest, thus retaining all the benefits it was intended to receive; without the risk.

6. 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%.

7. Property and equipment

			June 30, 2019
	Cost	Accumulated Amortization	Net Book Value
	$	$	$
Equipment	476,506	98,676	377,830
Vehicles	231,500	120,866	110,634
	710,150	182,297	488,464

			September 30, 2018
	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 $74,710.

8. Share Capital

Authorized

The authorized share capital of the Corporation consists of an unlimited number of common shares, 50,000,000 non-voting preferred shares and an unlimited number of special non-voting shares. There are no preferred shares and no non-voting special shares issued or outstanding as at June 30, 2019.

Issued

During the nine-month period ended June 30, 2019, the Corporation completed a non-brokered private placement (the “Offering”). The Offering resulted in gross proceeds to the Corporation of $55,000.00 pursuant to which the Corporation issued 1,100,000 units (“Units”) of the Corporation at a price of $0.05 per Unit. Each Unit is comprised of one common share ("common share") and one share purchase warrant ("Warrant") of the Corporation. Each Warrant entitles the holder thereof to acquire an additional common share at a price of $0.11 per common share for up to twenty-four (24) months following closing, subject to certain events. The Corporation is utilizing the net proceeds from the Offering for general working capital and general corporate purposes. In connection with the Offering, agents received a cash commission and 77,000 agent warrants. Each warrant will entitle the holder to acquire a common share for a price of $0.11 for a period of twenty-four (24) months following closing.

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, 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 June 30, 2019 and September 30, 2018, 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, June 30, 2019	**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.

June 30, 2019

Exercise Price	Options Outstanding	Options Exercisable	Weighted Average Remaining Contractual Life (Years)
$0.05	2,800,000	2,800,000	0.75
$0.05	5,438,000	5,038,000	3.39
$0.07	2,035,000	2,035,000	4.33
	10,273,000	**10,273,000**	**2.86**

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, 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, September 30, 2018	**-**	**-**
Issued subsequent to private placement	1,177,000	11,000
Exercised	**-**	**-**
Expired	**-**	**-**
Balance, June 30, 2019	1,177,000	11,000

9. Related Party Transactions and Balances

As at June 30, 2019, included in loans receivable is $112,555 (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 nine months ended June 30th	2019	2018
Consulting fees	92,600	74,283
Stock-based compensation	-	49,450
	92,600	123,733

10. 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 June 30, 2019 shareholders' deficit was $2,068,003 (September 30, 2018 – $1,831,794 shareholders' equity) and loans and borrowings were $2,171,383 (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.

11. Fair Value and Financial Risk Management

Fair Value

The carrying value of cash, accounts receivable, accounts payable and accrued liabilities approximate their fair value due to the relatively short period to maturity of the instruments. The 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 June 30, 2019.

Financial risk management

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

Credit risk

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

The Corporation has $914,054 (September 30, 2018 $444,476) of accounts receivable from four customers (September 30, 2018 – one), which represents 71% (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 June 30, 2019 of $333,339 (September 30, 2018 – $515,255) and a working capital deficit of $2,522,830 (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.

12. 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 year to date June 30, 2019 and 2018. The weighted average number of common shares basic and diluted is as follows:

	2019	**2018**
Weighted average common shares	181,781,574	168,762,557
Balance, June 30	181,781,574	168,762,557

For the year ended June 30, 2019 the weighted average outstanding calculation excludes the following instruments that are contingently issuable as they are anti-dilutive:

- 7,838,000 options (2018 – 8,388,000)
- 1,177,000 warrants (2018 – 9,996,000 and 3,500,000 shares and 3,500,000 warrants related to the convertible debentures)

13. Economic Dependence

Sparta Capital Ltd. earned $3,818,866, which represents 47% of its revenue, from four customers.

14. 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
	$	$	$
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
	1,427,492	164,671	1,592,163

15. Segmented reporting and non-controlling interest

A reconciliation of the Corporation and its material subsidiaries, Illumineris and ReECO Tech, for the nine months ending and as at June 30, 2019 and 2018 is as follows. All inactive and immaterial subsidiaries have been included in Sparta.

For the nine months ending and as at June 30, 2019

	ReECO Tech Electronics	Illumineris	ReECO Tech Conversions	ReECO Tech Property	Sparta	Total
	$	$	$	$	$	$
Current assets	987,807	152,890	639,032	-	597,477	2,377,206
Non-current assets	389,682	-	83,943	-	14,839	488,464
Current liabilities	(872,613)	(69,743)	(2,151,927)	-	(1,805,754)	(4,900,037)
Obligation under capital lease	-	-	(33,637)	-	-	(33,637)
Inter-company balances	(199,164)	(262,923)	(602,645)	-	1,064,732	-
Net assets (liabilities)	302,712	(-179,776)	(2,65,234)	-	(128,706)	(-2,068,004)
Revenue	4,113,494	114,314	3,867,661	87,143	-	8,182,612
Expenses	(3,820,512)	(107,398)	(4,274,755)	(168,454)	(375,288)	(8,746,407)
Gain on disposition of control of subsidiary	-	-	-	211,436	-	211,436
Net income (loss) and comprehensive income (loss)	292,982	6,916	(-407,094)	130,125	(-375,288)	(-352,359)
Net income (loss) and comprehensive income (loss) attributable to shareholders	32,228	790	(-36,638)	13,012	(375,288)	(365,896)
Net income (loss) and comprehensive income (loss) attributable to non-controlling interest	260,754	6,126	(370,456)	117,113	-	13,537

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

For the nine months ending and as at June 30, 2018

	ReECO Tech Electronics	Illumineris	ReECO Tech Conversions	ReECO Tech Property	Sparta	Total
	$	$	$	$	$	$
Current assets	1,006,650	361,908	1,504,449	46,896	166,705	3,086,609
Non-current assets	442,969	-	146,514	5,573,949	17,790	6,181,222
Current liabilities	(933,049)	(149,810)	(2,535,270)	(5,300,168)	(1,910,645)	(10,828,942)
Obligation under capital lease	-	-	(59,921)	-	-	(59,921)
Inter-company balances	(204,664)	(479,741)	(610,754)	(416,788)	1,711,947	-
Net assets (liabilities)	311,906	(267,643)	(1,554,982)	(96,111)	(14,202)	(1,621,032)
Revenue	3,301,956	1,544,959	3,829,668	29,853	-	8,706,436
Expenses	2,998,486	1,564,013	5,136,806	127,064	181,989	10,008,358
Net income (loss) and comprehensive income (loss)	303,470	(19,054)	(1,307,138)	(97,211)	(181,989)	(1,301,922)
Net income (loss) and comprehensive income (loss) attributable to shareholders	154,770	(9,718)	(632,847)	(49,578)	(181,989)	(719,362)
Net income (loss) and comprehensive income (loss) attributable to non-controlling interest	148,700	(9,336)	(674,291)	(47,633)	-	(582,560)

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