Sparta Capital Ltd.

(“Sparta” or “Corporation”)

Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”) for the Nine Month Period ended June 30, 2019.

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 August 29, 2019 and is in respect of the nine months periods ended June 30, 2019, and 2018.

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

No matter what form of media you turn to, plastic pollution, general waste disposal, deforestation, protecting the Amazon, over-use of fossil fuels, protecting the food supply, as well as endangered species, all dominate the headlines. Everyone, in every business sector is talking about how they can protect the planet and protect their business so that they can remain competitive in our constantly changing climate. What has this meant for us at Sparta?

More attention has been focused on innovative solutions to the climate crisis and we've been hard at work over the last quarter, stepping up our efforts to address the concerns and needs of customers.

- In June of 2019, we signed a collaborative supply/off-take agreement with Phoenix Canada to transform waste plastics into eco-friendly synthetic fuel additives to not only divert plastics from landfills but to also give that plastic one more life. This collaboration means that Sparta, which continues to gather a significant supply of waste plastics, will work closely with Phoenix to transform the plastic into fuel additive, using a Phoenix developed technology. Sparta is supplying raw materials, using the resulting product in their fleet of highway tractor trailers, as well as helping to guide Phoenix through their communications, branding and marketing efforts. The pilot project (using the fuel for the Sparta fleet) is part of a bigger plan to prove how dirty waste plastic can be transformed into clean transportaion and beyond and will include the company utilizing DynaCERT's HydraGEN™ technology.

- In April of 2019, Sparta agreed to secure DynaCERT's HydraGEN™ Technology to enhance combustion and track greenhouse gas emission on its entire fleet of highway tractors, operating in the Greater Toronto Area. This will serve as an example for future customers. DynaCERT's sophisticated new vehicle telematics software, HydraLytica™, will provide Sparta with quick and easy-to-share fuel savings and carbon emission reduction data so we can demonstrate exactly what is happening on our fleet with the HydraGEN™ combined with the usage of the fuel additive transformed from plastics. In early June, CBC Toronto was introduced to Sparta's efforts with Phoenix and dynaCERT and featured the plastics-to-fuel pilot project in a report. Since that time, two more media outlets, one in Calgary and one in British Columbia have featured Sparta's plastic-to-fuel story.

- In the fall of 2018, the Corporation entered into an agreement with Pi. Eco Canada Ltd. to begin a joint venture to transform unsortable waste plastics into synthetic fuel on an industial scale, with a goal of building a facility in the Greater Toronto Area, capable of re-directing more than 18,000 tons per year of plastic from landfills. While we have recently spent a great deal of time focusing on our plastic-to-fuel project with Phoenix, work continues with Pi. ECO to see through the development of their plastic to fuel technology. We will still be looking at other potential plastic transformation opportunities as both ventures allow us to explore the latest and most effective plastic to fuel technologies and how Sparta can utilize them to support our upcycling goals for waste plastics. Our approach has, and always will be, that multiple solutions/technologies are the answer for both the planet and customers.

- Sparta's Technical Advisory Board, which was set up in the last quarter and includes Mr. Stephen Lobb and Mr. Jim Payne, will help guide us as we build important relationships, secure financing for projects, and assess important complementary technology in the next quarter. Soon we will be introducing new members of this board. The additions are expected to help us progress through demonstrations on how waste can be transformed into something of real value.

- Throughout 2018 and into 2019 Sparta continued to promote its ReECO Tech brand, which includes waste-capture (including electronic waste recylcing) and environment-friendly excavation. The e-waste division added new clients in FY'19 and is processing as much as 250,000 pounds of material at the Toronto recycling facility most months. While the previous year (2018) was spent training people, ReECO Tech Conversions crews spent a great deal of 2018 working on new projects as a Tier 1 supplier in eco-conscious directonal drilling services, specifically related to expansion of fibre-optic information systems. One project alone has seen ReECO Tech crews develop over 1,000 fibre optic access points in an enviromentally safe manner.

While plastic conversion continues to be a prime focus, Sparta will also proceed with its existing businesses and upcycling efforts, through adaptable product and service offerings that not only address a wide range of issues, but also provide additional sources of waste materials, including plastic.

Under the Sparta Group™ 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 upcycling *"lost"* or *"wasted"* energy. Illumineris provides a complimentary suite of technologies to assist its commercial and industrial clients to receive value from wasted sources of energy within 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 upcycling such waste streams into new environmentally valuable materials that are not only beneficial to our planet but are economically feasible as well. ReECO Tech's services provide viable options 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 upcycling of end-of-life electronic components resulting from our ever-increasing rate of change in electronic technology.

- **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 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 deficit 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.

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

Sparta is positioned for another productive quarter as ReECO Tech's projects hold steady and both the Phoenix and Pi ECO agreements begin to establish us as an influence in the upcycling of waste plastic catgegory. Our plans to continue to grow illumineris and seek out opportunties for SuperNova will keep us very busy.

While our management and staff hold their heads high after serving a wide market, including eliminating tonnes of electronic waste from the waste stream; conducting comprehensive energy audits for companies of varying sizes; providing energy efficient lighting solutions, expanding ReECO, and helping rid the world of waste plastics; we know we have a long way to go to reach all of our goals. These include, finding further opportunities to transform waste-streams and seeking new, sound technologies to secure savings for customers, while improving the environment.

Announcements about any new Sparta products and ventures will be made following the Corporation's comprehensive due diligence processes.

Selected Annual 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:

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	(0.004)	(0.013)	(0.001)
Weighted average number outstanding	161,295,890	152,013,082	142,244,425

For the nine months ended June 30, 2019, the orporation reported no discontinued operations and declared no cash dividends.

Summary of Quarterly Results

The quarterly financial information for the eight most recently ended quarters are as follows:

	Q3 Jun 30, 2019	Q2 March 31, 2019	Q1 December 30, 2018	Q4 September 30, 2018	Q3 June 30, 2018	Q2 March 31, 2018	Q1 December 31, 2017	Q4 September30, 2017
Net Income (Loss)	(18,800)	(279,426)	(54,133)	(879,407)	(434,864)	(267,522)	(599,536)	(1,862,885)
Earnings (Loss) per Share	(0.000)	(0.002)	(0.004)	(0.013)	(0.003)	(0.002)	(0.004)	(0.012)
Total Assets	2,865,671	2,939,859	3,320,612	8,457,318	9,267,832	3,865,481	3,794,964	2,466,677
Total Liabilities	4,933,674	4,989,060	5,141,539	10,289,074	10,828,943	5,215,047	4,890,918	3,455,787

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

Variances in net loss by quarter is not cyclical or seasonal and reflect overall corporate activity and factors which do not recur each quarter, such as travel, due diligence, professional and regulatory fees.

Results of Operations for the nine month periods ended June 30, 2019

Overall for the nine-month periods ended June 30, 2019 and 2018 respectively the Corporation had a loss from operations of $18,800 and $434,864 and net loss and comprehensive loss of $18,800 and $434,864.

<u>Expenses</u>

The total expenses for the nine-month periods ended June 30 decreased to $8,746,407 during 2019, a decrease of $1,261,951 representing a 13% decrease from the $10,008,358 in 2018. The following is an explanation of expense changes for the nine month period ended June 30, 2019 compared to June 30, 2018:

Salaries and benefits increased slighty to $3,003,151 in Q2 2019 from $2,957,496 in 2018.

Product costs decreased to $1,420,074 in 2019 from $1,764,138 in 2018 as a result of a reduction in product purchases in Illumineris.

Business development decreased to $44,497 in 2019 from $198,859 in 2018 mainly due to decision to reduce expendiutures.

Repairs and maintenance increased to $574,478 in 2019 from $330,088 in 2018 as a result of the acquisition of additional equipment used primarily in the excavation operations.

Equipment rentals decreased to $476,099 in 2019 from $544,038 in 2018. This was mainly due to decision to reduce expendiutures.

Automotive decreased to $80,937 in 2019 from $195,056 in 2018 mainly due to decision to reduce expendiutures.

Consulting fees increased to $721,669 in 2019 from $629,404 in 2018 mainly due to the inclusion of a full nine months of operations at ReECO Tech Electronics.

Transportation costs decreased to $1,296,264 in 2019 from $1,994,813 in 2018 mainly due to restructuring in ReECO Tech Conversions, which included a shift from subcontractors to employees.

Cash Flows

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

	2019	2018
Cash used in operating activities	($363,951)	($858,989)
Cash provided by financing activities	$182,035	$6,815,789
Cash used in investing activities	-	($6,179,384)
Decrease in cash	($181,916)	($222,584)

Liquidity

The Corporation had a cash balance at June 30, 2019 of $333,339 (September 30, 2018 – $515,255).

At June 30, 2019 the Corporation had 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.

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

As of June 30, 2019, the Corporation had notes payable of $811,472, obligation under capital lease of $59,925, and other loans of $1,299,986.

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.

	Premises	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

Capital Expenditures

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

Off-balance Sheet Arrangements

The Corporation has no off-balance sheet arrangements.

Transactions with Related Parties

As at June 30, 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

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

For the nine months ended June 30,	**2019**	**2018**
Consulting fees	92,600	74,283
Stock-based compensation	-	49,450
	92,600	**123,733**

Financial Instruments

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

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

	June 30, 2019	June 30, 2018
Financial Assets		
Cash and cash equivalents	333,339	712,806
Accounts receivable	1,286,752	1,287,257
Financial Liabilities		
Accounts payable and accrued liabilities	2,762,291	3,273,726
Loans	2,171,383	7,615,138

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 June 30, 2019.

The number of issued and outstanding common shares as at June 30, 2019 and as of the date of this MD&A was 182,265,090.

As at June 30, 2019 and as at 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 2.86 years.

As at June 30, 2019 and as of the date of this MD&A the Corporation has 1,177,000 warrants issued and outstanding with an exercise price range of $0.11 per warrant and remaining average contractual life of 5 years.

Contributed surplus totalled $1,345,752 at June 30, 2019. 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 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.

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.

Outlook

The demand to rid the world of waste plastics and deal with rising energy costs has brought more attention to company's in the environmental space. Sparta is ready for that attention. Now, business operators have little choice but to adapt to our changing world unless of course they want to be left behind. Addressing both energy costs and environmental concerns is rapidly becoming a top priority for companies in every business sector. Sparta wants to be part of the solutions these companies will rely on and therefore will continue to explore opportunities to optimize and transform. 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. The amount of time, research and knowledge being applied to environmental solutions is staggering thus giving us confidence that greenhouse gas emissions can be kept in check and energy costs can be lowered, creating a brighter future.