SPARTA CAPITAL LTD.

UNAUDITED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED
DECEMBER 31, 2019 AND 2018

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These unaudited consolidated interim financial statements of Sparta Capital Ltd. (the "Company") have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these interim financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

SPARTA CAPITAL LTD.

Unaudited Consolidated Interim Statements of Financial Position

As at	Note	December 31 2019	September 30 2019
		$	$
Assets			
Current assets			
Cash		341,697	436,034
Accounts receivable		903,674	1,371,321
Inventories		107,155	109,936
Prepaid expenses		64,787	214,561
Loans and notes receivable		382,790	61,000
		1,800,103	2,192,852
Loan receivable		-	94,788
Property and equipment	6	357,338	577,671
		2,157,441	2,865,311
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		415,690	2,883,028
Deferred revenue		29	15,731
Notes payable		798,160	796,964
Loans payable	5	973,866	967,926
Current portion of obligation under capital lease		-	26,981
		2,187,745	4,690,630
Convertible debentures payable	5	455,956	304,634
Obligation under capital lease		-	26,321
		2,643,701	5,021,585
Shareholders' equity (deficit)			
Share capital	7	8,652,638	8,652,638
Share subscription receivable		(20,000)	(20,000)
Warrants	7	1,309	1,309
Contributed surplus		1,297,527	1,450,052
Equity portion of convertible debentures		158,408	110,039
Deficit		(10,615,840)	(10,294,858)
Total equity attributable to the equity holders of the Corporation		(525,958)	(100,820)
Equity attributable to non-controlling interest		39,698	(2,055,454)
		(486,260)	(2,156,274)
Going concern	2	2,157,441	2,865,311

Approved on behalf of the Board:

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

Director Director

SPARTA CAPITAL LTD.

Unaudited Consolidated Interim Statements of Comprehensive Loss

For the three month periods ending December 31	Note	2019	2018
Revenue		1,396,491	3,056,698
Expenses			
Transportation		2,987	628,071
Product costs		393,793	417,759
Amortization		23,395	36,614
Automotive		15,823	13,685
Business development		20,217	14,285
Consulting fees		172,941	210,455
Equipment rental		157	175,366
Insurance		23,487	53,980
Bank charges and interest		37,292	94,801
Financing fees		-	9,375
Licenses and fees		9,467	9,527
Office		27,021	63,465
Professional fees		19,496	36,744
Occupancy		81,215	118,800
Property taxes		-	21,314
Repairs and maintenance		63,485	226,364
Salaries and benefits		400,178	1,189,501
Accretion on convertible debentures		19,691	-
Marketing		230	2,170
Exchange (gains) losses		40,279	(9)
		1,351,154	3,322,267
Income (loss) from operations		45,337	(265,569)
Gain (loss) on disposition of control of subsidiary	8	(204,705)	211,436
Net loss and comprehensive loss for the period		(159,368)	(54,133)
Net income (loss) and comprehensive income (loss) attributable to:			
Shareholders		(339,673)	37,495
Non-controlling interests		180,305	(91,628)
		(159,368)	(54,133)
Net loss per share Basic and diluted		(0.000)	(0.000)

SPARTA CAPITAL LTD.

Unaudited Consolidated Interim Statements of Changes in Equity

	Number of common shares	Share capital $	Contributed surplus $	Warrants $	Share subscription receivable $	Equity portion of convertible debenture $	Deficit $	Non-control interest $	Total $
Balance, October 1, 2019	182,265,090	8,652,638	1,450,052	1,309	(20,000)	110,039	(10,294,858)	(2,055,454)	(2,156,274)
Disposition of control of subsidiary	-	-	(152,525)	-	-	-	(204,704)	1,933,537	1,576,308
Issuance of convertible debenture	-	-	-	-	-	48,369	-	-	48,369
Loss for the period	-	-	-	-	-	-	(134,968)	180,305	45,337
Non-controlling interest	-	-	-	-	-	-	18,690	(18,690)	-
Balance, December 31, 2019	182,265,090	8,652,638	1,297,527	1,309	(20,000)	158,408	(10,615,840)	39,698	(486,260)
Balance, October 1, 2018	181,165,090	8,602,797	1,345,752	-	(85,000)	-	(10,032,886)	(1,662,457)	(1,831,794)
Share subscription received	-	-	-	-	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)

SPARTA CAPITAL LTD.

Unaudited Consolidated Interim Statements of Cash Flows

For the three month periods ending December 31	Note	2019	2018
Cash provided by (used in):			
Operations:			
Net loss and comprehensive loss for the period		(159,368)	(54,133)
Items not involving cash			
Disposition of control of subsidiary		143,837	(231,634)
Amortization of capital assets		23,395	36,614
Accretion on convertible debentures		19,691	-
Amortization of financing costs		-	9,375
Change in non-cash working capital:			
Accounts receivable		(109,011)	19,455
Inventories		2,781	15,000
Prepaid expenses		58,274	3,145
Accounts payable and accrued liabilities		(219,368)	207,096
Deferred revenue		(15,702)	(2,800)
Income taxes payable		-	
Cash flows from operations		(255,471)	2,118
Investing:			
Loans receivable		(27,002)	-
Disposition of control of subsidiary		1,000	-
Purchase of equipment		-	(2,144)
Cash flows used in investing		(26,002)	(2,144)
Financing:			
Share subscriptions received		-	65,000
Convertible debentures		180,000	-
Loan proceeds		5,940	5,939
Obligation under capital lease		-	(4,280)
Notes payable		1,196	64,812
Cash flows from financing		187,136	131,471
Increase (decrease) in cash		(94,337)	131,445
Cash, beginning of period		436,034	515,255
Cash, end of period		341,697	646,700

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.

Sparta Group is in the world of Urban Mining; i.e. mining for societal inefficiencies that exist right under everyone's nose. Then by applying various forms of technology, we upcycle (i.e. refine) these processes to improve our environment while profiting at the same time. Our efforts can already be evidenced by our diversion and/or sequestration of more than a Million kg of CO_2 and our gainful employment of more than a hundred people who are helping accomplish these results.

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 was expanded to include the conversion of waste plastic into various forms of energy, but while plastic conversion will be an important growing market, 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:

- **Sparta Energy Capture & Upcycle - a.k.a. 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 such examples as; peak power mitigation systems; power-factor and harmonic mitigation; LED lighting retrofits; 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, corresponding costs and Greenhouse Gas (GHG)emissions.

- **Sparta Material Upcycling - a.k.a. Re-ECO Tech** - is the collective term for a group of conversion technology companies that collect waste materials with a focus on converting them 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 such exmples as; biomass conversion - focused on sequestering $C0_2$ emissions through waste into consumables; electronics recycling - focused on recycling and upcycling of old electronic components resulting from our ever increasing rate of change in electronic technology.

- **Sparta Innovation - a.k.a. SuperNova** - is focused on cutting-edge green initiatives, especially related to combustion, the transportation sector and storage technology. SuperNova, opens up new opportunities and initiatives and will look to explore new ventures including, but not limited to, extraction of energy from base minerals, efficient products capable of powering novel generation systems and gas to electricity conversion. 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, 2019, the Corporation realized a net income from operations of $45,337 (2018 – loss of $265,569), has a working capital deficit of $387,642 (2018 - $2,497,778) and negative cash flow from operations of $255,471; (2018 – positive cash flow from operations of $2,118).

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 attain profitable operations 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 material adjustments could be necessary to the balance sheet classifications and carrying values of assets and liabilities.

During the period, the Corporation issued 10% convertible debentures for gross proceeds of $180,000.

3. Basis of Presentation

Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and were authorized for issue by the Corporation's Board of Directors on January 28, 2020.

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 so as 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, the proportionate amount of 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.

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.

The voting-controlled subsidiaries of the Corporation and their principal activities as at December 31, 2019 were as follows:

Name of subsidiary		Principal activity
ReECO Tech Electronic Conversions Ltd. (“Re-ECO Tech Electronics”)	15%	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

The Corporation’s equity interest is net of non-controlling interests. Non-controlling interests result from shares of subsidiaries issued to parties other than the Corporation which includes voting and non-voting shares. Ownership structures of subsidiaries that are not wholly owned include shares held in trust by an external trustee for future issuance to employees and consultants.

During Q1, 2018 the Corporation divested its 51% voting interest common share position in Picton Heights Ltd. ("Picton") (formerly Re-ECO Tech Property Conversions Ltd.), retaining a 10% non-voting participating equity interest in the company, thus delivering similar upside as when under majority control but minimizing potential risks often associated with rental properties. The disposition was to a purchaser arm’s length to the Corporation. In a similar fashion, during Q1, 2020 the Corporation divested its 51% voting interest common share position in ReECO Tech Conversions, retaining a 10% non-voting participating equity interest in the company, thus delivering similar upside as when under majority control but minimizing risks.

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 and by their nature.
- Fair value of investments in securities not quoted in an active market or private company investments.
- Recoverable amounts from loans and notes receivable.
- The fair value attributable to liability and equity components in convertible debentures.

(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.
- Accounting for non-controlling interest - subsidiary shares issued and held in trust for employees or consultants is treated as non-controlling interest since, due to the arrangement and intention, the related portion of income and equity is not expected to attribute to shareholders of the Corporation.

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, 2019.

5. Loans and borrowings

a. Loans payable consist of the following:

As at December 31,	**2019**	**2018**
	$	$
Fixed rate loans assumed in respect to SuperNova, with interest at 3% per annum and no fixed terms of repayment.	973,866	950,107
Loan due to a director of the Corporation, with no interest terms, payable on demand.	-	338,000
	973,866	**1,288,107**

b. Convertible debentures

As at December 31,	**2019**	**2018**
	$	$
Beginning balance	304,634	-
Issuance of convertible debentures	180,000	-
Less: equity portion of convertible debentures	(48,369)	-
Accretion expense	19,691	-
	455,956	**-**

On August 30, 2019, the Corporation issued 18 convertible debentures for gross proceeds of $180,000. The convertible debentures are unsecured with an interest rate of 10% per annum, maturing October 4, 2021. The convertible debentures are convertible into:

i. one common share at an exercise price of $0.05 per common share in the first twelve months from the date of issuance and thereafter at a conversion rate of the greater of $0.10 per common share and the Market Price (as such term is defined in the policies of the TSX Venture Exchange); and

ii. one share purchase warrant entitling the holder thereof to purchase one common share for $0.05 per common share expiring twenty-four months 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 $131,631 was calculated as the discounted cash flows for the convertible debenture assuming a 25% 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 $48,369 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.

c. Notes payable consist of the following

As at December 31,	**2019**	**2018**
	$	$
Fixed rate promissory note assumed in respect to the SuperNova acquisition, with compounding interest at 3% annually and no fixed terms of repayment.	267,918	262,668
Fixed rate promissory note issued as consideration for assets purchased in Re-Eco Tech Electronic with interest at 11% per annum and no fixed terms of repayment.	530,242	546,179
	798,160	**808,847**

d. Obligations under capital lease

As at December 31,	**2019**	**2018**
	$	$
Capital lease requires 48 monthly payments of $2,275, bearing interest at 2.08% per annum, maturing on October 25, 2021	-	75,015
	-	**75,015**
Current portion	-	**(28,169)**
	-	**46,846**

6. Property and equipment

			December 31, 2019
	Cost	**Accumulated Amortization**	**Net Book Value**
	$	**$**	**$**
Equipment	371,941	101,792	270,149
Vehicles	155,000	67,811	87,189
	526,941	169,603	357,338

			September 30, 2019
	Cost	**Accumulated Amortization**	**Net Book Value**
	$	**$**	**$**
Equipment	558,526	122,417	436,109
Vehicle	240,816	99,254	141,562
	799,342	221,671	577,671

7. Share Capital

Authorized

The authorized share capital of the Corporation consists of an unlimited number of common shares without nominal or par value, 50,000,000 non-voting 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) 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 September 30, 2019.

Issued

During the year ended September 30, 2019, the Corporation completed a private placement of 1,100,000 units for gross proceeds of $55,000. The issue price for the units being $0.05 per unit, with each unit being comprised of one common share and one share purchase warrant, with each warrant entitling the holder to acquire an additional common share at a price of $0.11 per common share for up to twenty-four (24) months following the date of issuance.

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

Options

A summary of the Corporation's outstanding stock options as at September 30, 2019 and 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
Balance, September 30, 2019	10,273,000	0.05

On November 1, 2018, the Corporation granted stock options to an officer 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 November 1, 2023. The options vested immediately. Stock-based compensation expense of $89,500 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 2.38%, d) forfeiture rate of 0%, e) expected life of 5 years.

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. 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 ended September 30, 2018, 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 that the performance conditions were met 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 ended September 30, 2019, the final sales milestone was met and the remaining 400,000 stock options vested. Stock-based compensation expense of $14,800 was recorded based on the fair value of the stock options on the date that the performance condition was met 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 1.88%, d) forfeiture rate of 0%, e) expected life of 5 years.

The following summarizes the outstanding share options

2019

Exercise Price	**Options Outstanding**	**Options Exercisable**	**Weighted Average Remaining Contractual Life (Years)**
$0.05	2,800,000	2,800,000	0.50
$0.05	5,438,000	5,438,000	3.14
$0.07	2,035,000	2,035,000	4.08
	10,273,000	**10,273,000**	**2.61**

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 (note 8(b))	5,900,000	59,000
Exercised	(3,700,000)	(55,000)
Expired	(13,136,000)	199,332
Balance, September 30, 2018	**-**	**-**
Issued	1,177,000	1,309
Balance, September 30, 2019	**1,177,000**	**1,309**
Issued	-	-
Balance, December 31, 2019	**1,177,00**	**1,309**

8. Disposition of controlling interest in Re-ECO Tech Conversion Technologies Ltd. ("Conversions")

On October 1, 2019, the Corporation divested its controlling interest in the common shares of Conversions. The disposition was to an arm's length purchaser.

Net liabilities derecognized October 1, 2019

	$
Cash	60,868
Accounts receivable	576,658
Prepaid expenses	91,500
Property and equipment	196,937
Accounts payable and accrued liabilities	(2,248,968)
Lease obligations	(53,302)
Notes and loans payable	(615,777)
Special shares/Contributed surplus	(152,525)
Non-controlling interest	1,933,537
Gain associated with disposition of control	211,072
Valuation adjustment on notes and loans payable	(415,776)
Net loss with disposition of control	(204,704)

At the date of sale, the Corporation retained a demand loan receivable from Conversions in the amount of $615,777. The loan receivable is unsecured and non-interest bearing and was adjusted to current estimated net realizable value.

9. Related Party Transactions and Balances

As at December 31, 2019, included in loans receivable is $90,476 (September 30, 2019 - $60,626) related to advances made to SETA Group, a company controlled by a Director of the Corporation.

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 December 31, 2019 the shareholders' deficit was $486,260 (September 30, 2019 – $2,156,274) and loans and borrowings were $1,772,026 (September 30, 2019 – $8,818,192). The Corporation manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Corporation may purchase shares for cancellation pursuant to normal course issuer bids, issue new shares or obtain debt financing. The Corporation is not currently subject to any externally imposed capital requirements.

Management anticipates that, based on the amount required to fund expenses associated with the execution of the Corporation's current business plan, taking into account the working capital deficit 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 fair value of cash, accounts receivable, notes receivable, accounts payable and accrued liabilities approximate their carrying value due to the relatively short period to maturity of the instruments. The fair value of loans payable, notes payable and mortgage payable approximate their carrying value as the interest rates are consistent with the current market rates.

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 $433,948 (September 30, 2019 $816,603) of accounts receivable from one customer (September 30, 2019 – two), which represents 48% (September 30, 2019 - 60%) 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, 2019 of $341,697 (September 30, 2019 – $436,034) and a working capital deficit of $387,642 (September 30, 2019 – $2,497,778).

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 period ended December 31, 2019 and 2018. The weighted average number of common shares basic and diluted is as follows:

	December 31, 2019	**December 31, 2018**
Weighted average common shares	182,265,090	181,165,090
Balance, December 31	182,265,090	181,165,090

13. Economic Dependence

Sparta Capital Ltd. earned $418,776, which represents 30% of its revenue, from two customers during the period ended December 31, 2019; ($1,877,532 - representing 61% of its revenue, from four customers for the period ended December 31, 2018).

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 any and all assets of Illumineris.

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

	$
2020	339,300
2021	355,521
2022	356,873
2023	356,873
2024	29,739
	1,438,306

15. 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, 2019 and 2018 is as follows. All inactive and immaterial subsidiaries have been included in Sparta.

For the three months ending and as at December 31, 2019	Illumineris	ReECO Tech	Sparta	Total
	$	$	$	$
Current assets	132,535	988,064	679,504	1,800,103
Non-current assets	-	345,207	12,131	357,338
Current liabilities	(81,970)	(704,011)	(1,401,764)	(2,187,745)
Non-current liabilities	-	-	(455,956)	(455,956)
Inter-company balances	(230,426)	(420,564)	650,990	-
Net assets (liabilities)	(179,861)	208,696	515,095	(486,260)
Revenue	**65,652**	**1,330,839**	**-**	**1,396,491**
Expenses	**64,721**	**1,129,292**	**157,141**	**1,351,154**
Gain on disposition of control of subsidiary	**-**	**-**	**1,728,832**	**1,728,832**
Intercompany transactions	**-**	**-**	**-**	**-**
Net income (loss) and comprehensive income (loss)	**931**	**201,547**	**1,571,691**	**1,774,169**
Net income (loss) and comprehensive income (loss) attributable to shareholders	**3**	**22,170**	**44,896**	**(339,673)**
Net income (loss) and comprehensive income (loss) attributable to non-controlling interest	**928**	**179,377**	**(361,846)**	**2,113,842**

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

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

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

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