



SPARTA CAPITAL LTD.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
("MD&A")**

FOR THE SIX MONTH PERIODS

ENDED MARCH 31, 2020

Dated June 8, 2020

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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The following management's discussion and analysis ("MD&A") explains the variations in the consolidated operating results, financial position and cash flows of Sparta Capital Ltd. ("Sparta", "Sparta Group", the "Company", the "Corporation", "We", "Us" or "Our") for the six months ended March 31, 2020. This MD&A should be read in conjunction with the Company's audited consolidated financial statements for the years ended September 30, 2019 and 2018, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The Company's accounting policies under IFRS are set out in Note 4 of the audited consolidated financial statements for the years ended September 30, 2019 and 2018.

All amounts are in Canadian dollars.

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

Health is the most direct way that we can feel the impacts of climate change. We are experiencing those health implications more now than ever before. After the 1950's we experienced what some people refer to as a great "acceleration"; a time when human populations started to really grow, worldwide travel increased, and carbon pollution rose. As the primary focus during the early days of the global pandemic was finding ways to slow down the spread of COVID-19, environmentalists, biodiversity experts, and researchers began talking more freely about how new infectious diseases in people are connected to the environment. In our new world (post pandemic) policymakers, business owners and individuals will hear their message and begin to respond with stronger "eco-consciousness". People will no longer deny the fact that climate change disrupts the global ecosystem, causing species to move, change, and gain a stronger ability to transmit zoonotic diseases.

Resilience and sustainability will need to be foremost in the minds of companies that want to remain competitive. Sparta Group is uniquely positioned to help these companies attain and manage the appropriate mechanism for the type of change needed going forward. One of the first steps we took when our international contacts reported COVID-19 in their countries was to review our cash flow and cash management plan so as to remain stable in the event that Canada would be hit hard.

Despite, the unprecedented conditions created by the pandemic, Sparta has continued to operate because it had already carried out some of the steps involved in business continuity management. In our new world, business means being prepared for every possible scenario, including disasters. While it has not been business as usual for Sparta, it has been business forging

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ahead. We have accomplished much because our business units were already well-versed in virtual work practices, not just face-to-face business. Additionally, from the beginning, Sparta has enforced strong security and safety standards. Our core business will always be focused on environmental products and services that can transform our world, but our operating model was initially designed in a way that allows us to pivot at a moment's notice without impacting current business and current customers. As an example, in our Re-ECO Tech Electronics division we have been able to continue significant e-waste recycling and upcycling work following mandated social distancing guidelines while ensuring that our employees are always provided with the necessary Personal Protective Equipment ("PPE"), including safety masks. In fact, not only was the division able to maintain supply lines to keep employees protected, they were able to pivot business somewhat to provide others who were in desperate need as they couldn't find suitable masks anywhere. At the time this MDA was written, we have sourced and sold more than a million masks to those in need. Over the last couple of months, we discovered our huge stockpile of safety equipment, especially suitable masks, is another revenue generator. We are now investigating other opportunities that may allow us to manufacture PPE to help the world, without jeopardizing Sparta's ongoing environmental technology plans.

At the same time as ReECO continued to operate efficiently, we moved ahead with plans to establish a unit that could deploy a comprehensive technology-based support system for the trucking industry. In March, we announced that Sparta signed a market development MOU with TruckSuite™ LLC to form TruckSuite Canada™ Ltd. This arm of our business has been moving forward very quickly, as management see great opportunity within this division as truck drivers truly demonstrated how, as front-line workers, they are so important to keep our citizens supplied with essential goods and services. They need support on the road more than ever and that need is not expected to change after the pandemic. In fact, like with ReECO Tech, TruckSuite Canada has found new opportunities and thus have pivoted as a result of the pandemic; adding a growing suite of much needed truck-related PPE and associated consumable services to compliment the present TruckSuite offering. In addition, we've engineered a number of unique vehicle welfare and financial products, designed to help mitigate downtime (thus keeping the trucks on the road), while providing some exciting new investment opportunities in the process. As more information becomes available, the investment community and the market-at-large will be informed through all Sparta's communications channels, including through our newly developed TruckSuite Canada™ website (www.trucksuitecanada.ca), which will be live very soon.

In the summer of 2019, we garnered much attention, including some important media pick-up, when we unveiled a pilot project that looked to transform plastic waste into an eco-friendly synthetic diesel fuel additive for use in powering our fleet of tractor-trailers; Trash-to-Transport™, if you will. While the system taught us a lot (in both technology and communications), in the later part of 2019, we decided to accelerate our plans for larger, industrial scale plastics-to-fuel operations. In April (2020) the company moved closer to securing a deal that will allow us to establish larger-scale plastics upcycling in the fuel category as well as a program to help educate the population-at-large about the interesting operations we have in our pipeline; bringing much more media attention for both our plastic upcycling and for the other important aspects of what we are doing.

Sparta continues to seek out further opportunities to add new products and services to its list of energy- efficient, waste-upcycling offerings, while enhancing existing ones. As well, the Corporation will continue to consider opportunities to contribute to demands posed by the worldwide pandemic.

While plastic conversion will always be an important focus for Sparta, the company continues its upcycling efforts in other verticals to further expand its diversion and sequestration of GHG emissions. Through adaptable product and service offerings the company has not only addressed a wide range of issues, it has and will continue to secure additional sources of waste materials, including plastic.

Under the Sparta Group™ brand, Sparta still has three existing divisions. These include:

- **Sparta Energy Capture & Upcycle - a.k.a. Illumineris** is 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 in receiving value from wasted sources of energy within their existing power systems; with zero cost outlay. 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.

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- **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 upcycling such waste streams into new environmentally valuable materials that are not only beneficial to our planet but are economically feasible as well. Re-ECO Tech's services provide viable options for helping manufacturers reduce waste, save resources, save money and lower their carbon footprint. This includes; Re-ECO Tech Electronics Ltd. ("Re-ECO Tech Electronics") (o/s ERS-International) - an electronics recycling company focusing on upcycling end-of-life electronic components resulting from our ever-increasing rate of change in electronic technology, Re-ECO Tech Conversion (where Sparta now holds a minority position) - focuses on sequestering CO₂ emissions through waste diversion and converting biomass waste into consumables and Re-ECO Tech Property (where Sparta now holds a minority position) - is a division focused on investing in early stage property development where the Corporation can look to utilize earnings together with existing synergies to implement the technologies from other business units into "smart", net-zero ready, environmentally responsible community developments; designed with concern for our planet in mind.
- **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 when the time is right.

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 six-month ended March 31, 2020 the Corporation has realized a net income from operations of \$258,053 (2019 – loss of \$544,995) and has a working capital deficit of \$126,997 (2019 - \$2,536,165) and negative cash flow from operations of \$368,184 (2019 – \$467,461).

In order to meet the Corporation's future working capital requirements it will be required to attract additional funds through the issue of debt or equity. The Corporation's management will continue to consider various alternatives to finance the Corporation's operations and activities within the context of existing market conditions. Additional capital requirements are dependent on uncertain future events, including but not limited to the results of the evaluation of other business growth opportunities, the level of growth in product sales and distribution.

There can be no assurance that capital will be available as necessary to meet these continuing development costs or, if the capital is available, that it will be on terms acceptable to the Corporation. The issuances of additional equity securities by the Corporation may result in significant dilution to the equity interests of its current shareholders. If the Corporation is unable to obtain financing in the amounts and on terms deemed acceptable, the business and future success may be adversely affected.

Additional capital requirements are dependent on uncertain future events, including but not limited to the results of the evaluation of other business growth opportunities, the level of growth in product sales and distribution. If the going concern assumption were not appropriate for these financial statements, then adjustments would be necessary to the carrying values of assets and liabilities, and the balance sheet classifications used which could be material.

Further information related to the Corporation is filed on the System for Electronic Document Analysis and Retrieval ("SEDAR") and can be reviewed at www.sedar.com.

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Overall Performance

It has been a productive quarter for the Corporation as we continued to put the pins in place to reinforce additional product offerings and financial options; expanding into the plastic conversion arena and continuing to work to develop new partnerships; many of which will be related to PPE supply and upcycling opportunities. All aspects helped to create a stronger, larger business as well as a growing customer base. In addition it is working to initiate more media interest in Sparta, to compliment its efforts over the past year where the company was featured by several media outlets, including CBC, Global and BNN.

Over the course of the past year, Sparta continued to serve a wide market, which included: providing energy efficient lighting solutions to multiple business operators; eliminating tonnes of electronic waste from the waste stream; conducting comprehensive energy audits for companies of varying sizes; expanding the equipment fleet while growing its environment-friendly communication installation services; and shifting the company's focus to help rid our World of many forms of waste plastics, starting with a joint venture agreement to convert unsortable waste plastics into useable synthetic fuels on an industrial scale.

Sparta will continue to seek further upcycling opportunities along with additional complimentary waste-streams to support the upcycling efforts; all of which will continue to attract additional media attention. In support of the media attention we have recently been garnering, the company will continue the enhancement of its communications platforms, including its e-blast facilities, social media distribution platforms and traditional media platforms; all in an effort to better inform present and future stakeholders about the good Sparta is doing. The Corporation will also look to leverage its sales and marketing channels to distribute complementary products while looking to secure appropriate intellectual property to enhance the business interests of its divisions. Finally, the Corporation intends on an ongoing basis, to assess product performance and market acceptance of other innovative technologies suitable to the Corporation's established distribution network and executive team. Announcements about any new Sparta products and ventures will be made following the Corporation's comprehensive due diligence processes.

Selected Financial Information

The following table is a summary of selected financial information derived from the Corporation's audited financial statements for the years ended September 30 prepared in accordance with IFRS:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
	\$	\$	\$
Total Assets	2,865,311	8,457,280	2,466,677
Total Non-Current Financial Liabilities	330,955	53,404	-
Revenues	11,010,599	11,331,170	6,964,447
Net loss, attributable to:			
Shareholders	(470,358)	(957,236)	(1,760,934)
Non controlling interests	<u>(375,894)</u>	<u>(1,224,093)</u>	<u>(205,304)</u>
Total	(846,252)	(2,181,329)	(1,966,238)
Basic and diluted net loss per share	(0.005)	(0.013)	(0.013)
Weighted average number outstanding	181,898,423	169,568,580	152,013,082

For the six-month ended March 31, 2020, the Corporation reported no discontinued operations and declared no cash dividends.

Summary of Quarterly Results

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

	<u>Q2</u> March 31, <u>2020</u>	<u>Q1</u> December 31, <u>2019</u>	<u>Q4</u> September 30, <u>2019</u>	<u>Q3</u> June 30, <u>2019</u>	<u>Q2</u> March 31, <u>2019</u>	<u>Q1</u> December 31, <u>2018</u>	<u>Q4</u> September 30, <u>2018</u>	<u>Q3</u> June 30, <u>2018</u>
Net Income (Loss)	212,716	(159,368)	(493,894)	(18,801)	(279,425)	(54,133)	(879,407)	(434,864)
Earnings (Loss) per Share	0.001	(0.000)	(0.003)	(0.000)	(0.002)	(0.000)	(0.013)	(0.003)
Total Assets	2,511,420	2,157,441	2,865,311	2,865,671	2,939,859	3,320,612	8,457,280	9,267,832
Total Liabilities	2,784,964	2,643,701	5,021,585	4,933,674	4,989,062	5,141,539	10,289,074	10,828,943

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

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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 six month periods ended March 31, 2020

Overall for the six-month periods ended March 31, 2020 and 2019 respectively the Corporation realized a profit from operations of \$258,053 and incurred a loss of \$544,995 and net income and comprehensive income of \$53,348 and a net loss and comprehensive loss of \$333,559 in 2019.

Expenses

The total expenses for the six-month ended March 31 decreased to \$3,047,767; a decrease of \$2,817,792 representing an 48% decrease from the \$5,865,559 in 2019. Substantially all the material reductions in expenses are due to the disposition of control of ReECO Tech Conversions.

Cash Flows

The following is a summary of cash flows for the six months ended March 31:

	2020	2019
Cash provided by (used in) operating activities	\$ (368,184)	\$ (467,461)
Cash provided by financing activities	\$ 199,388	\$ 183,417
Cash provided by (used in) investing activities	\$ 1,000	\$ (2,144)
Increase (decrease) in cash	\$ (167,796)	\$ (286,188)

Liquidity

The Corporation had a cash balance at March 31, 2020 of \$268,238 September 30, 2019 – \$436,034).

At March 31, 2020 the Corporation had a working capital deficit of \$126,997 (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.

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 at March 31, 2020, the Corporation had notes payable of \$799,473 and convertible debentures of \$480,477

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Contractual Obligations

The Corporation leases office space and recycling facilities which require future annual payments of:

	<u>Office and facilities</u>
	\$
2020	339,300
2021	355,521
2022	356,873
2023	356,873
2024	29,739
	<u>1,438,306</u>

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 March 31, 2020, included in accounts receivable is \$117,476 (2019 - \$89,555) related to advances made to SETA Group, a company controlled by a Director of the Corporation.

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:

	<u>On Demand</u>	<u>Less than 3 months</u>	<u>3 to 12 months</u>	<u>Over 1 year</u>	<u>Total</u>
Accounts payable and accrued liabilities	425,180	-	-	-	425,180
Notes payable	799,473	-	-	-	799,473
Loans payable	979,805	-	-	-	979,805
Convertible debentures payable	-	-	-	480,477	480,477
	<u>2,304,458</u>	<u>-</u>	<u>-</u>	<u>480,477</u>	<u>2,784,935</u>

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.

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Shareholders' Equity

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 March 31, 2020.

The number of issued and outstanding common shares as at March 31, 2020 and 2019 was 182,265,090 and 182,165,090.

As at March 31, 2020 the Corporation had 7,473,000 options outstanding with a range of exercise prices of \$0.05 to \$0.07 and a weighted average remaining contractual life of 2.85 years. As of the date of this MD&A the Corporation had 7,473,000 options outstanding with a range of exercise prices of \$0.05 to \$0.07 and a weighted average exercise price of \$0.055.

As at March 31, 2020 and as at the date of this MD&A, the Corporation had 1,177,000 warrants outstanding, exercisable to acquire an additional common share per warrant at a price of \$0.11 per common share for up to 24 months following the date of issuance.

Contributed surplus totalled \$1,297,527 at March 31, 2020. The balance is comprised mainly of the cumulative stock-based compensation expense.

Application of new and revised International Financial Reporting Standards

The standards issued and adopted by the Company in the current year's financial statements are listed below.

IFRS 9 - Financial Instruments

On October 1, 2018, the Company adopted the new rules under IFRS 9 - Financial Instruments which includes a principle-based approach for the classification and measurement of financial assets and a forward-looking 'expected credit loss' model. The standard was adopted retrospectively. The comparative financial statements have not been restated as the adoption had no impact on amounts previously recognized in the statements of comprehensive income and financial position.

The following table outlines the classification of financial instruments under the previous standard and the new classification under IFRS 9.

Financial asset / liability	Previous classification (IAS 39)	New classification under IFRS 9
Cash	Fair value through profit and loss	Amortized cost
Accounts receivable	Loans and receivables	Amortized cost
Notes receivable	Loans and receivables	Amortized cost
Loans receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Notes payable	Other financial liabilities	Amortized cost
Loans payable	Other financial liabilities	Amortized cost
Obligations under capital lease	Other financial liabilities	Amortized cost
Mortgage loan	Other financial liabilities	Amortized cost
Convertible debentures payable	Other financial liabilities	Amortized cost

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IFRS 15 Revenue from contracts with customers

On October 1, 2018 the Corporation adopted the new rules under IFRS 15 Revenue from contracts with customers. Under the new standard revenue is recognized from the perspective of when a transfer of control to the customer is complete. Adoption of the standard had no impact on amounts previously recognized in the statements of net and comprehensive income and financial position.

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, 2019.

IFRS 16 - Leases

In January 2016, the IASB issued IFRS 16 Leases ("IFRS 16"), its new lease standard that requires lessees to recognize assets and liabilities for most leases on the statement of financial position. Lessees applying IFRS 16 will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged.

The Corporation will adopt the standard for the fiscal year commencing October 1, 2019. The standard will be adopted retrospectively by recognizing the cumulative impact of initial adoption in opening retained earnings. Under the standard, the Company will recognize a right-of-use asset under property and equipment (P&E) and a corresponding liability for the lease associated with the Corporation's warehouse space. Previously, the Corporation recognized the lease charge associated with this facility as an operating lease expense on a straight-line basis over the term of the lease. The nature of the expenses related to this lease will change since the Corporation will recognize a depreciation charge for the right-of-use asset and an interest expense on the related lease liability. Consistent with the guidance, the Company will not apply this standard to short-term leases and leases for which the underlying asset is of low value.

Capital Management

The Corporation's objectives when managing capital is to safeguard its ability to continue as a going concern, provide adequate working capital and maintain cash on hand. The Corporation defines capital as the Corporation's shareholders' equity and loans and borrowings. At March 31, 2020 shareholders' deficit was \$636,087 (September 30, 2019 - \$100,820) and loans and borrowings were at \$2,259,755 (September 30, 2019 - \$2,122,826). The Corporation manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Corporation may purchase shares for cancellation pursuant to normal course issuer bids, issue new shares or obtain debt financing. The Corporation is not currently subject to any externally imposed capital requirements.

Management anticipates that, based on the amount required to fund expenses associated with the execution of the Corporation's current business plan, taking into account the present working capital and the Corporation's projected level of future income, the Corporation is expected to require an injection of capital through debt or equity financing to meet its normal operating requirements for the next 12 months. Additional capital requirements are dependent on the extent of future revenues and expenses related to product development, manufacturing, sales and promotion and in consideration of results of the evaluation of other business growth opportunities and associated capital requirements. Additional liquid capital may be sourced from the issuance of share capital, debt financing or from potential government funding in support of development of export markets.

Financial Risk Management

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

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.

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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 \$854,578 (September 30, 2019 - \$816,603) of accounts receivable from two customers (September 30, 2019 – two), which represents 62% (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 March 31, 2020 of \$268,238 (September 30, 2019 – \$436,034) and a working capital deficit of \$126,997 (September 30, 2019 – \$2,536,165).

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

While this has been a trying quarter with unprecedented circumstances, everyone has been trying to figure out what the New Reality might be. Even so, we can still count on the sun setting in the west and then rising again in the east; and with it, bringing new opportunity. At Sparta we are very optimistic that the future will be bright; mainly due to the many opportunities that are now finally becoming a reality and with the new opportunities that are now presenting themselves as a result to the recent pandemic.

It's easy to see that the commercialization of all energy sources has allowed industry to boom and economies to flourish; however, we are now paying a price for it; a very big price. And as it becomes the new norm for everyone to be wearing PPE, we are going to see even more synthetic materials ending up on our streets, in our landfills, waterways and our atmosphere. We understand that when we spew the seemingly innocuous gaseous emissions from the burning of products made from fossil fuels, it is no different than dumping our garbage into landfill or our effluent into lakes, rivers, streams and/or oceans. At the rate we keep dumping, the base elements cannot possibly be re-constituted back to Mother Earth.

But at Sparta, we envision a day when decentralized power systems become the commonplace. A place where remote communities will embrace their waste and look forward to receiving packaged goods and using packaging to help power their community. We see a time when the power grids we presently have are treated with reverence because IoT technology can be implemented to optimize the electrons flowing thorough the lines at all times.

And while preventing and minimizing environmental degradation and helping companies become more sustainable, Sparta understands that the environmental technology sector will continue to grow because there is no end in sight for demand to diminish. There is great opportunity for our company, supporters, and investors to benefit from our offerings while also feeling gratified that they have contributed to helping future generations.