



SPARTA CAPITAL LTD.

UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

**FOR THE THREE & NINE MONTH PERIODS ENDED
JUNE 30, 2021 AND 2020**

390 Bay Street, Suite 1400
Toronto, ON
M5H 2Y2
www.spartagroup.ca

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	June 30 2021	September 30 2020
		\$	\$
Assets			
Current assets			
Cash		814,722	612,496
Accounts receivable		480,438	717,094
Inventories		82,386	61,146
Prepaid expenses		85,320	49,850
		1,462,866	1,440,586
Other receivables	5	355,788	355,788
Property and equipment	6	235,763	287,152
Right-of-use asset	7	714,971	944,784
		2,769,388	3,028,310
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		398,288	636,307
Deferred revenue		-	5,001
Notes payable	8c	778,142	802,098
Loans payable	8a	1,009,503	991,685
Current portion of lease liability of right-of-use asset	7	319,037	303,688
		2,504,970	2,738,779
Convertible debentures payable	8b	-	95,078
Long term portion of lease liability of right-of-use asset	7	450,346	697,260
10% Loan Payable	9	125,000	-
		3,080,316	3,531,117
Shareholders' equity (deficit)			
Share capital		9,939,571	9,502,071
Share subscription receivable		(20,000)	(20,000)
Warrants		1,309	1,309
Contributed surplus		1,323,203	1,297,527
Equity portion of convertible debentures		-	29,559
Deficit		(11,412,822)	(11,131,197)
Total equity attributable to the equity holders of the Corporation		(168,739)	(320,731)
Equity attributable to non-controlling interest		(142,189)	(182,076)
		(310,928)	(502,807)
		2,769,388	3,028,310
Going concern	2		
Approved on behalf of the Board:			
Signed: <u>“Peter Quattrociochi”</u>		Signed: <u>“John O’Bireck”</u>	
Director		Director	

Sparta Capital Ltd.**Unaudited Consolidated Interim Statements of Comprehensive Loss**

	Note	Three months ended June 30,		Nine months ended June 30,	
		2021	2020	2021	2020
Revenue		1,142,267	770,378	3,489,679	4,076,198
Expenses					
Transportation		25,815	1,462	42,382	13,773
Salaries and benefits		333,892	266,231	1,112,149	1,070,323
Business development		79,876	8,863	120,912	45,116
Consulting fees		236,251	276,569	600,717	631,337
Product costs		320,937	302,565	804,885	1,419,079
Repairs and maintenance		59,452	6,652	212,698	135,114
Equipment rental		-	925	944	1,554
Office		54,120	28,205	152,592	89,701
Professional fees		1,237	16,150	8,007	55,296
Automotive		24,546	9,931	68,053	58,727
Insurance		36,364	32,674	95,528	79,370
Licenses and fees		15,927	19,674	67,090	44,648
Interest and bank charges		30,321	35,574	112,795	110,218
Occupancy		(28,808)	162,427	(26,884)	356,867
Amortization of right-of-use asset		76,604	-	229,812	-
Amortization of property and equipment		21,348	23,408	66,736	70,212
Accretion on convertible debentures		3,720	19,955	11,039	59,167
Exchange (gains) losses		6,673	8,411	51,962	26,941
		1,298,275	1,219,676	3,731,417	4,267,443
Loss from operations		(156,008)	(449,298)	(241,738)	(191,245)
Gain (loss) on disposition of control of subsidiary	8	-	-	-	(204,705)
Net loss and comprehensive loss for the period		(156,008)	(449,298)	(241,738)	(395,950)
Net loss and comprehensive loss attributable to:					
Shareholders	15	(356,938)	(232,032)	(337,725)	(681,834)
Non-controlling interests	15	200,930	(217,266)	95,987	285,884
		(156,008)	(449,298)	(241,738)	(395,950)
Net loss per share basic and diluted	12	(0.001)	(0.002)	(0.001)	(0.002)

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, 2020	202,870,590	9,502,071	1,297,527	1,309	(20,000)	29,559	(11,131,197)	(182,076)	(502,807)
Non-controlling interest	-	-	-	-	-	-	56,100	(56,100)	-
Net income (loss) for the period	-	-	-	-	-	-	(15,618)	156,838	141,220
Balance, December 31, 2020	202,870,590	9,502,071	1,297,527	1,309	(20,000)	29,559	(11,090,715)	(81,338)	(361,587)
Warrants exercised	3,300,000	165,000	-	-	-	-	-	-	165,000
Options exercised	250,000	12,500	-	-	-	-	-	-	12,500
Income (loss) for period	-	-	-	-	-	-	(123,896)	(103,054)	(226,950)
Balance March 31, 2021	206,420,590	9,679,571	1,297,527	1,309	(20,000)	29,559	(11,214,611)	(184,392)	(411,037)
Warrants exercised	3,000,000	150,000	-	-	-	-	-	-	150,000
Conversion of Debentures	2,200,000	110,000	25,676	-	-	(29,559)	-	-	106,117
Income (loss) for period	-	-	-	-	-	-	(198,211)	42,203	(156,008)
Balance March 31, 2021	211,620,590	9,939,571	1,323,203	1,309	(20,000)	-	(11,412,822)	(142,189)	(310,928)
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)
Income (loss) for period	-	-	-	-	-	-	(110,129)	322,845	212,716
Balance March 31, 2020	182,265,090	8,652,638	1,297,527	1,309	(20,000)	158,408	(10,725,969)	362,543	(273,544)
Private placement	5,000,000	100,000	-	25,000	-	-	-	-	125,000
Loss for the period	-	-	-	-	-	-	(232,032)	(217,266)	(449,298)
Balance June 30, 2020	187,265,090	8,752,638	1,297,527	26,309	(20,000)	158,408	(10,958,001)	145,277	(597,842)

Sparta Capital Ltd.

Unaudited Consolidated Interim Statements of Cash Flows

	Three months ended June 30,		Nine months ended June 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Cash provided by (used in):				
Operations:				
Net loss and comprehensive loss for the period	(156,008)	(449,298)	(241,738)	(395,950)
Items not involving cash:				
Disposition of control of subsidiary	-	-	-	143,837
Amortization of property and equipment	21,348	23,408	66,736	70,212
Amortization of right-of-use asset	76,604	-	229,812	-
Accretion on convertible debentures	3,720	19,955	11,039	59,167
	(54,336)	(405,935)	65,849	(122,734)
Change in non-cash working capital:				
Accounts receivable	(152,905)	531,483	236,656	(42,741)
Inventories	36,243	(8,298)	(21,240)	(5,517)
Prepaid expenses	(4,959)	(11,671)	(35,470)	38,968
Accounts payable and accrued liabilities	73,109	(206,556)	(238,019)	(316,435)
Deferred revenue	-	-	(5,001)	(15,702)
Current portion of lease liability of right-of-use asset	4,738	-	15,349	-
Cash flows from (used in) operations	(98,110)	(100,977)	18,124	(464,161)
Investing:				
Purchase of equipment	-	-	(15,346)	-
Loans receivable	27,000	-	-	-
Disposition of control of subsidiary	-	-	-	1,000
Cash flows used in investing	27,000	-	(15,346)	1,000
Financing:				
Proceeds from private placement	-	100,000	-	100,000
Proceeds from exercise of warrants	150,000	-	315,000	-
Proceeds from exercise of options	-	-	12,500	-
Loan proceeds	5,939	5,940	17,818	17,819
Convertible debentures	-	-	-	180,000
Warrants	-	25,000	-	25,000
Repayment of lease liability	(87,413)	-	(246,914)	-
10% loan payable	-	-	125,000	-
Notes payable	(26,581)	1,312	(23,956)	3,821
Cash flows from financing	41,945	132,252	199,448	326,640
Increase (decrease) in cash	(29,165)	31,275	202,226	(136,521)
Cash beginning of period	843,887	268,238	612,496	436,034
Cash, end of period	814,722	299,513	814,722	299,513

SPARTA CAPITAL LTD.

Notes to the Unaudited Consolidated Interim Financial Statements

As at and for the three & nine month periods ending June 30, 2021 and 2020

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 1400, 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 a technology-based company that owns or holds a controlling interest in a network of independent businesses that supply energy saving technologies designed to reduce energy inefficiencies, achieve reduced emissions and increase operating efficiencies in various industries. 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.

Anticipating that COVID-19 would be here for the long-haul, in 2020 Sparta put the necessary team in place to expand Sparta's offerings to include more health-related technologies. While the company continues to focus on upcycling waste and providing energy efficient technologies, in 2021 it also has been able to develop and distribute solutions that address the new world where COVID lingers. Sparta, with its health-related technologies, is positioned to assist both the industrial sector and transportation sector as it grapples with challenges posed by SARS CoV2.

While Sparta's various divisions represent a wide range of specialized energy capturing, converting, optimizing, and related services, especially for the industrial and commercial sectors, its health division, Sparta Health Group, concentrates on solutions related to living with COVID-19 and other infectious diseases. Sparta's business units are backed by a strong Technical Advisory Board that includes some of the Canada's best technical, engineering, and scientific minds.

The following is a brief summary of the existing divisions:

- **Sparta Energy Capture & Upcycle - a.k.a. Illumineris** - is a group focused on upcycling "lost" or "wasted" energy. Illumineris technologies assist 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.
- **Sparta Material Upcycling - a.k.a. Re-ECO Tech** - is 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 beneficial to our planet and economically feasible. Re-ECO Tech's services can help manufacturers reduce waste, save resources, save money and lower their carbon footprint. This group 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 CAPITAL LTD.

Notes to the Unaudited Consolidated Interim Financial Statements

As at and for the three & nine month periods ending June 30, 2021 and 2020

- **Sparta Innovation - a.k.a. SuperNova** - is focused on contemporary green initiatives, especially related to combustion, the transportation sector, and storage technology. Under the SuperNova Banner, Sparta's TruckSuite™ offers comprehensive technology-based support to fleet Owners/Operators, including roadside emergency assistance; emergency repair with competitive pricing for parts and labour; complete warranty coverage; as well as an integrated vehicle health and safety management system. TruckSuite™ will soon offer specialized products and programs to assist truckers in times of crisis, such as the challenges created by COVID-19. Also under the SuperNova banner resides the newly formed Sparta Health Group company. Sparta Health was initially established to provide a more streamlined process for accessing PPE (Personal Protective Equipment), so as to save time and stress for many in the most vulnerable sectors, but has expanded to help bring solutions developed within our TruckSuite™ division to additional market verticals, such as providing COVID-19 related solutions for the commercial real-estate market opportunities.

The voting-controlled subsidiaries of the Corporation, Sparta's equity interest therein and their principal activities as at September 30, 2020 were as follows;

Name of subsidiary	2020	2019	Principal activity
Re-ECO Tech Electronic Conversions Ltd. ("Re-Eco Tech Electronic")	20%	11%	Electronics recycling and resale
Illumineris Inc.	10%	10%	Product distribution
Illumineris Systematics Inc.	11%	11%	Product distribution and installation
SuperNova Performance Technologies Ltd.	100%	100%	Product development
Sparta Technologies 4 Mining Ltd.	100%	100%	Product development
Newport Environmental Technologies Ltd.	100%	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.

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 June 30, 2021, the Corporation realized a net loss from operations of \$156,008 (2020 – income of \$449,298), has a working capital deficit of \$1,042,104 (2020 - \$412,931) and negative cash flow from operations of \$98,110 (2020 – \$100,977).

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.

SPARTA CAPITAL LTD.

Notes to the Unaudited Consolidated Interim Financial Statements

As at and for the three & nine month periods ending June 30, 2021 and 2020

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 ended June 30, 2021, the Corporation issued 3,000,000 common shares for gross proceeds of \$150,000. This capital was raised by the exercise of 3,000,000 warrants.

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 May 31, 2021.

Consolidation

These unaudited 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.

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.

SPARTA CAPITAL LTD.

Notes to the Unaudited Consolidated Interim Financial Statements

As at and for the three & nine month periods ending June 30, 2021 and 2020

(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 unaudited consolidated interim 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, 2020.

5. Other receivables

Balances consist of the following:

As at,	June 30, 2021	September 30, 2020
	\$	\$
Notes receivable	61,000	61,000
Assigned receivable	200,000	200,000
Advances receivable	94,788	94,788
	355,788	355,788

6. Property and equipment

	June 30, 2021		
	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$
Equipment	387,287	182,567	204,720
Vehicles	155,000	123,957	31,043
	542,287	306,524	235,763

	September 30, 2020		
	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$
Equipment	371,942	142,915	229,027
Vehicles	155,000	96,875	58,125
	526,942	239,790	287,152

SPARTA CAPITAL LTD.

Notes to the Unaudited Consolidated Interim Financial Statements

As at and for the three & nine month periods ending June 30, 2021 and 2020

7. Right-of-use asset and lease liability**Right of use asset**

<u>June 30, 2021</u>	<u>Building lease</u>
Cost	
Balance, beginning of period	1,532,082
Additions	-
Balance, end of period	1,532,082

Accumulated amortization Balance,

Balance beginning of year	587,298
Amortization expense	229,812
Balance, end of period	817,111

Net book value

Balance, beginning of period	944,784
Balance, end of period	714,971

Lease liability

<u>June 30, 2021</u>	<u>Building lease</u>
Balance, beginning of year	1,000,948
Lease interest expense	40,593
Repayments during the year	(272,158)
Balance, end of year	769,383

Current portion	319,037
Non-current portion	450,346

The Corporation is committed to building premises lease payments as follows;

2021	\$ 355,521
2022	356,873
2023	356,873
2024	29,739
	\$1,099,006

SPARTA CAPITAL LTD.

Notes to the Unaudited Consolidated Interim Financial Statements

As at and for the three & nine month periods ending June 30, 2021 and 2020

8. Loans and borrowings**a. Loans payable consist of the following:**

As at June 30,	<u>2021</u>	<u>2020</u>
	\$	\$
Fixed rate loans assumed in respect to SuperNova, with interest at 3% per annum and no fixed terms of repayment.	1,009,503	979,805

b. Convertible debentures

As at June 30,	<u>2021</u>	<u>2020</u>
	\$	\$
Beginning balance	102,397	460,956
Accretion expense	3,720	19,521
Conversion of debentures	(106,117)	-
	<u>-</u>	<u>480,477</u>

On August 30, 2019, the Corporation issued 41 convertible debentures for gross proceeds of \$410,000. The convertible debentures are unsecured with an interest rate of 10% per annum, maturing August 30, 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 \$299,961 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 \$110,039 was determined at the time of issue as the difference between the fair value of the compound convertible debenture and the fair value of the liability component.

On September 30, 2020, holders of the above convertible debentures exercised their rights under the agreement and converted their debentures into 8,200,000 common shares and 8,200,000 share purchase warrants.

On October 4, 2019 the Corporation issued an additional 18 convertible debentures for gross proceeds of \$180,000, at the same terms as those issued on August 30, 2019. These convertible debentures are also compound financial instruments containing both a liability and equity component. The fair values of the components of these debentures were calculated using the same methodology as those issued on August 30, 2019 - see above. The liability and equity components were determined to be \$121,631 and \$48,369 respectively.

On September 30, 2020 holders of 7 of the convertible debentures issued on October 4, 2019 exercised their rights to convert their debentures into 1,400,000 common shares and 1,400,000 share purchase warrants.

On June 30, 2020 the holders of the remaining convertible debentures issued on October 4, 2019 exercised their rights to convert their debentures into 2,200,000 common shares and 2,200,000 share purchase warrants.

SPARTA CAPITAL LTD.

Notes to the Unaudited Consolidated Interim Financial Statements

As at and for the three & nine month periods ending June 30, 2021 and 2020

c. Notes payable consist of the following

As at June 30,	<u>2021</u>	<u>2020</u>
	\$	\$
Fixed rate promissory note assumed in respect to the SuperNova acquisition, with compounding interest at 3% annually and no fixed terms of repayment.	275,794	269,231
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.	502,348	530,242
	<u>778,142</u>	<u>799,473</u>

9. Loans Payable

During the period ended June 30, 2021 the Corporation received a loan payable secured by a promissory note. The loan bears interest at 10% per annum is payable December 31, 2022.

10. 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, 2020 and June 30, 2021.

Issued

During the year ended September 30, 2020, the Corporation completed a private placement of 10,000,000 units for gross proceeds of \$250,000. The issue price for the units being \$0.025 per unit, with each unit being comprised of one common share and one-half share purchase warrant exercisable at \$0.05 - and one-half share purchase warrant exercisable at \$0.10. Each whole warrant entitles the holder to acquire an additional common share for up to twenty-four (24) months following the date of issuance

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 period ended March 31, 2021, 3,300,000 warrants were exercised for 3,300,000 common shares and 250,000 options were exercised for 250,000 common shares. Cash proceeds were \$165,000 and \$12,500 respectively.

During the period ended June 30, 2021, 3,000,000 warrants were exercised for 3,000,000 common shares. Cash proceeds were \$150,000. In addition, debentures with a principal amount of \$110,000 were converted into 2,200,000 common shares and 2,200,000 warrants were granted.

SPARTA CAPITAL LTD.

Notes to the Unaudited Consolidated Interim Financial Statements

As at and for the three & nine month periods ending June 30, 2021 and 2020

Options

A summary of the Corporation's outstanding stock options as at June 30, 2021 and 2020, and the changes for the years then ended, is as follows:

	Number of options	Weighted average exercise price in \$
Balance, September 30, 2018	8,238,000	0.05
Granted	2,035,000	0.07
Balance, September 30, 2019	10,273,000	0.05
Expired	(2,880,000)	-
Balance, September 30, 2020	7,473,000	0.04
Exercised	250,000	0.05
Granted	2,000,000	0.05
Balance, June 30, 2021	9,223,000	0.04

During the year ended September 30, 2020 2,800,000 stock options expired.

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 June 30, 2021, the Corporation granted stock options to employees for the purchase of 2,000,000 common shares of the Corporation at an exercise price of \$0.05 per common share. These options will expire on June 30, 2026. The options vested immediately.

The following summarizes the outstanding share options;

Exercise Price	Options Outstanding	Options Exercisable	Weighted Average Remaining Contractual Life
			(Years)
\$0.05	5,188,000	5,188,000	1.42
\$0.07	2,035,000	2,035,000	2.33
\$0.05	2,000,000	2,000,000	5.00
	9,223,000	9,223,000	2.40

SPARTA CAPITAL LTD.

Notes to the Unaudited Consolidated Interim Financial Statements

As at and for the three & nine month periods ending June 30, 2021 and 2020

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, 2019	1,177,000	1,309
Issued	16,640,000	-
Exercised	(965,500)	-
Expired	-	-
Balance, September 30, 2020	19,851,500	1,309
Issued	2,200,000	-
Exercised	6,300,000	-
Expired	-	-
Balance, June 30, 2021	15,751,500	1,309

11. Related Party Transactions and Balances

As at June 30, 2021, included in other receivables is \$104,928 (September 30, 2020 - \$94,788) related to advances made to SETA Group, a company controlled by a Director of the Corporation.

12. Capital Management

The Corporation's objectives when managing capital is to safeguard its ability to continue as a going concern by providing adequate working capital and maintaining cash on hand. The Corporation defines capital as the Corporation's shareholders' equity and loans and borrowings. At June 30, 2021 the shareholders' deficit was \$168,739 (September 30, 2020 - \$320,731) and loans and borrowings were \$2,682,028 (September 30, 2020 - \$2,889,810). 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.

13. Fair Value and Financial Risk ManagementFair 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:

SPARTA CAPITAL LTD.

Notes to the Unaudited Consolidated Interim Financial Statements

As at and for the three & nine month periods ending June 30, 2021 and 2020

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 \$82,364 (September 30, 2020 \$331,927) of accounts receivable from one customer (September 30, 2020 – one), which represents 17% (September 30, 2020 - 46%) 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, 2021 of \$814,722 (September 30, 2020 – \$612,496) and a working capital deficit of \$1,042,104 (September 30, 2020 – \$1,298,193).

In order to meet the Corporation's anticipated working capital requirements, it will be required to attract additional funds through the issue of debt, equity or other business means to further the development of the Corporation's products and to provide sufficient working capital. The Corporation monitors its working capital position and makes changes or reductions in expenditures to help sustain sufficient liquidity to meet liabilities on a timely basis.

Market Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency rates. The Corporation is exposed to currency risk on its U.S. dollar denominated bank accounts. The Corporation does not use derivative instruments to reduce its exposure to foreign currency risk.

14. Net Loss Per Share

Basic and diluted loss per share have been calculated based on the net loss divided by the weighted average number of common shares outstanding for the period ended June 30, 2021 and 2020. The weighted average number of common shares basic and diluted is as follows:

	June 30, 2021	June 30, 2020
Weighted average common shares	205,357,479	183,931,757
Balance, June 30	211,620,590	187,265,090

15. Economic Dependence

Sparta Capital Ltd. earned \$1,061,662, which represents 30% of its revenue, from two customers during the period ended June 30, 2021; (\$1,283,955 - representing 31% of its revenue, from two customers for the period ended June 30, 2020).