SPARTA CAPITAL LTD.
(o/a SPARTA GROUP)

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

FOR THE THREE MONTH PERIODS

ENDED JUNE 30, 2021 AND 2020

Dated August 30, 2021

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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 three months ended June 30, 2021. This MD&A should be read in conjunction with the Company's audited consolidated financial statements for the years ended September 30, 2020 and 2019, 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, 2020 and 2019.

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

The last 18 months has demonstrated, in more ways than one, that uncertainty is the norm; however uncertainty can be a catalyst for immense growth. When it comes to both health of the planet and health of mankind, we are already seeing this play out as the health sector grows and we receive more attention for our environmental technologies. The recent onslaught of environmental disasters, including wildfires and flooding, as well as COVID-19 have forced both individuals and businesses to examine their own vulnerabilies and risks. While this sounds daunting, it is an opportunity for growth that Sparta has prepared for. The two biggest issues in the coming years will be mitigating more climate change and controlling infectious disease outbreaks.

Sparta Group and its different divisions have long focused on environmental technologies to assist businesses in lowering their carbon footprint, saving money and maintaining a competitive edge. Over the course of the last few months, the Company has also dedicated its talent pool to addressing the health concerns that both employers and employees have, especially in light of COVID-19.We are now realizing that our suite of technologies designed to address worker's health can be customized to help all sorts of business sectors, including tourism and recreation.

So, in addition to offering environmental solutions which save energy, reduce carbon footprints and upcycle waste, COVID-19 safety programs have been added to our suite of products and services.

All Sparta divisions have continued to operate, despite the challenges posed by the worldwide pandemic. Aside from strict safety protocols, management attribute the ability to conduct "business as usual" to strong collaborative relationships. Here is a look at some of Sparta's recent developments, including progress made within the Company's health division, Sparta Health Group:

- In March of 2021, Sparta signed an MOU with West Palm Beach. Florida based, Ethema Health Corp ("GRST") to expand business into new markets related to fighting COVID-19. Ethema Health Corp is in the behavioral healthcare space and has utilized HOCI in at least one of its treatment facilities. Ethema and Sparta are exploring the use of HOCI (Hypochlorous Acid) disinfectant technologies, which have been used successfully in the medical field and poultry processing industry to address pathogens.
- In April 2021, Sparta Health Group, Sparta's Illumineris division and Metrikus of London, England collaborated to bring Metrikus, a smart-technology platform to clients in various markets. The platform allows for close monitoring of building performance, occupancy, energy use, as well as indoor air quality.
- Thoughout the Spring of 2021, Sparta gained significant media interest as a result of a collaboration with Core-19 sanitizations specialists. Several Major media outlets featured Sparta and Core-19 efforts to help protect businesses with an antimicrobial surface protection formula and accompanying robotic dispersion technology. However, this collaboration wasn't the only work to gain media attention. Sparta's e-waste divison also garnered interest from reporters. Some of the media outlets that featured Sparta in the spring, included, City-TV, CTV, Global-TV and Ann Rohmer's radio show, "The Feed" on 105.9 FM
- June 2021 was a particularly busy month for Sparta. After signing an MOU with CASPR Technology Group to formalize a distribution and development agreement, Sparta began addressing interest in the CASPR system. The first customer for the Continuous Air and Surface Pathogen Reduction technology became F45 in Toronto's Leslieville district. The Leslieville gym is one of about 200 F45 gyms across Canada and one of about 2,000 worldwide. News of F45 using the pathogen protection system spread quickly among gym members and the Toronto business community, culminating in Sparta being featured on the 680 News Business Report.

  Also in June, Sparta set up its multi-layer virus protection program for the workplace at its ewaste upcycling facility. ReECO Tech Electronic Conversions ("ERS-International") in Toronto's east end now serves as a demonstration site for the technology that is designed to screen people for symptoms, including those associated with COVID-19, before they enter the workspace.

  In June Sparta also bolstered its TruckSuite™ and Sparta Health Group™ divisions by signing an MOU to Acquire a positon is SBL Testing Technologies ("SBL"), a US based Workplace Pathogen Protection company. The agreement will provide Sparta with expanded market reach, including in the U.S and abroad for its workplace virus protection program. As well, it should provide Sparta's TruckSuite™ division with other important new technologies designed to fight COVID and other infectious diseases. The Sparta team is now in discussions with additional distribution channels, a growing number of large heavy-industrial clients, and tourism officials from around the world; all showing great interest in the program, which includes 5 easy-to-use components.

  The month of June ended with the appointment of acclaimed, biology and pysiology researcher/professor, Mr. Leonard Sonneschein to Sparta's Technical Advisory Board (TAB). Mr. Sonnenchein's expertise is expected to be of great value to the Company's hypochlorous Acid (HOCI) development program.
- In July 2021 Sparta began looking more closely at various natural oxidizing agents, such as HOCI and H_2O_2 as a super-disinfectants that are safe for humans, animals and surfaces. In fact, Mr. Pete Young, the co-founder of Indiva Limited ("NDVA" or "Indiva") and an expert in the cultivation of cannabis, was added to the TAB. He is now working with Sparta 's lab to demonstrate how oxidizing agents like HOCI may be effective in improving cannabis cultivation.

Sparta continues to monitor the development of VineRidge in Prince Edward County, Ontario. Sparta secured the property years ago and last January announced a development agreement with FLC Group that would see the land get transformed into a desirable community of houses, with ample green space to enhance healthy living.

Meanwhile, as was recently reported, Sparta's RPRA approved waste electronics upcycling division, ERS-International, has secured a number of important contracts, generating an impressive level of back log, which, when processed, is expected to more than double revenues over the upcoming year.

Additionally, larger orders for Sparta's Health Canada Authorized Antibody and Antigen Test Kits are anticipated as demand based on reports from pharmaceutical experts grows and the practice of governments supplying free testing kits comes to an end. Also, the lateral flow rapid tests represent an important component in the company's Workplace Pathogen Protection Program™ that is about to be distributed through both the Sparta Health Group™ division and Sparta's TruckSuite™ division.

In the coming months expect to hear more about Sparta's TruckSuite™ entity. TruckSuite™, in conjunction with CASPR Group®, have developed a CASPR Transport™ product line, specifically designed to continuously protect truckers from harmful pathogens. This line of products is expected to hit the market very soon. In conjunction with the introduction of CASPR Transport™, marketing plans are being rolled out to provide all fleet owners with an increased level of protection and peace-of-mind for their drivers, utilizing a transport specific version of the Workplace Pathogen Protection Program™.

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.
- **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., o/a ERS-International "ERS", 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 $C0_2$ 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 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. Under the SuperNova banner also resides the TruckSuite Canada™ division, which is a technology-driven support program that provides fleet Owners/Operators with many of the necessary tools

to be competitive in their market. TruckSuite™ offers comprehensive maintenance, including roadside emergency assistance; emergency repair with competitive pricing for parts and labour; complete warranty coverage; as well as the TreeFrog Transportation Optimization System™, an integrated vehicle health and safety management system that has been developed to provide vital information in an easy-to-understand format, saving both time and money. In short, TruckSuite™ encourages driver retention between the fleet and independent owner/operator. Also under the SuperNova banner resides the Sparta Health Group™ division. 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. This includes the recently announced acquisition of a minority position in SBL Testing Technologies™ (USA) Inc, who, along with Achu Health™, provide access to important technologies utilized in the Workplace Pathogen Protection Program™.

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 ended June 30, 2021 the Corporation has realized a net loss from operations of $156,008 (2020 – $449,716) and 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 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.

Overall Performance

Since Sparta has more than one division, it may be difficult to fully comprehend what each separate division offers; especially if looking at each division in isolation. While the divisions may appear diverse, they're actually sharing a common mantra. Namely, *Health of our Planet and thus Health of the People living on it*. The diversity brings with it both stability and important synergies between the various divisions. The following list outlines what Sparta as a whole has been able to offer its clients across the various divisions:

- Helping companies optimize energy and save money
- Offering building operators a platform to make spaces more efficient, safe, and sustainable
- Providing energy efficient lighting solutions
- Upcycling electronics and helping clients conform to new Ontario e-waste regulations
- Conducting comprehensive energy audits
- Developing a green, clean community with partner FLC Group.

- Helping truck owners/operators operate more efficiently
- Offering truckers health-related technologies to help protect them from infectious outbreaks
- Moving closer to transforming waste plastic into eco-fuel products on an industrial scale
- Utilizing different technologies to help in the fight against COVID- 19 in various business sector.

Until recently, many people viewed climate change as something remote, but today more people are seeing the direct effects of our planet warming. Climate change promises to impact the everyday lives and health of all of us, and its not just heat waves and air quality we have to worry about. Climate change can also increase the spread of certain types of infectious diseases. At Sparta we are all about developing and distributing the best technologies to address both environmental and health concerns. While we understand that technology can't solve every problem, we are confident that it will play a massive role in mitigating further damage to Earth and will contribute in a major way to the health and safety of mankind. Sparta will always seek out technological opportunities in the areas of energy efficiency and waste transformation/upcycling, while also assisting with viable technology-driven solutions to protect humankind from harmful pathogens.

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:

	2020	2019	2018
	$	$	$
Total Assets	3,028,310	2,865,311	8,457,280
Total Non-Current Financial Liabilities	792,338	330,955	53,404
Revenue	5,277,329	11,010,599	6,964,447
Net loss, attributable to:			
Shareholders	(848,420)	(680,331)	(1,760,934)
Non controlling interests	12,008	(165,921)	(205,304)
Total	(836,412)	(846,252)	(1,966,238)
Basic and diluted net loss per share	(0.005)	(0.005)	(0.013)
	Common Shares	Common Shares	Common Shares
Weighted average number outstanding	185,787,389	181,898,423	169,568,580

For the three-month ended June 30, 2021, 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:

	Q3 June 30, 2021	Q2 March 31, 2021	Q1 December 31, 2020	Q4 September 30, 2020	Q3 June 30, 2020	Q2 March 31, 2020	Q1 December 31, 2019	Q4 September 30, 2019
Net Income (Loss)	(156,008)	(226,950)	141,220	(159,368)	(493,894)	(18,801)	(279,425)	(54,133)
Earnings (Loss) per Share	(0.001)	(0.000)	0.000	(0.000)	(0.003)	(0.000)	(0.002)	(0.000)
Total Assets	2,769,388	2,801,883	2,971,042	3,028,310	2,865,311	2,865,671	2,939,859	3,320,612
Total Liabilities	3,080,316	3,212,920	3,332,629	3,531,117	5,021,585	4,933,674	4,989,062	5,141,539

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

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

Results of Operations for the three month periods ended June 30, 2021 and 2020

Overall for the three-month periods ended June 30, 2021 and 2020 respectively the Corporation realized a loss from operations of $156,008 and $449,298 and net loss and comprehensive loss of ($156,008) and $449,298.

Revenue

Revenue for the three month periods ended June 30, 2021, and 2020 respectively increased by $371,889 over the comparative period in 2020, from $770,378 to $1,142,267, an increase of 48% over Q3 of 2020. In addition, revenues increased 248,306 over Q2 of 2021, an increase of 28%.

Expenses

The total expenses for the three-month periods ended June 30, 2021, and 2020 respectively increased by $78,599 over the comparative period in 2020, from $1,219,676 to $1,298,275, an increase of 6% over Q3 of 2020. In addition, total expenses increased 177,364 over Q2 of 2021, an increase of 16%.

Business development increased to $79,876 in Q3 2021 from $8,863 in 2020 as a result of expenditures incurred in the Sparta's Innovation division, including Health Group™ and TruckSuite™, for future growth. This primarily includes expenditures for the Workplace Pathogen Protection Program™ and for CASPR Transport™, but also includes some lab development programs. While no revenue has been realized to date for these expenses, significant future growth relative to these expenditures is anticipated.

Cash Flows

The following is a summary of cash flows for the three months ended June 30:

	2021	2020
Cash provided by (used in) operating activities	$ (98,110)	$ (100,977)
Cash provided by (used in) financing activities	$ 41,945	$ 132,252
Cash used in investing activities	$ 27,000	$ (15,346)
Increase (decrease) in cash	$ (29,165)	$ 31,275

Liquidity

The Corporation had a cash balance at June 30, 2021 of $814,722 (September 30, 2020 – $612,496).

At June 30, 2021 the Corporation had 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.

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 June 30, 2021, the Corporation had notes payable of $778,142.

Contractual Obligations

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

	Office and facilities
	$
2021	355,521
2022	356,873
2023	356,873
2024	29,739
	1,099,006

Capital Expenditures

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

Off-balance Sheet Arrangements

The Corporation has no off-balance sheet arrangements.

Transactions with Related Parties

As at June 30, 2021, included in other receivable is $104,928 (2020 - $94,788) 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:

	On Demand	Less than 3 months	3 to 12 months	Over 1 year	Total
Accounts payable and accrued liabilities	398,288	-	-	-	398,288
Notes payable	778,142	-	-	-	778,142
Loans payable	1,009,503	-	-	-	1,009,503
Lease liability of right-of-use asset	-	-	319,037	450,346	769,383
10% loan payable				125,000	
	2,185,933	-	416,696	575,346	3,080,316

The carrying value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their fair value due to the relatively short period to maturity of the instruments. Cash and cash equivalents are classified as level 1, which means fair value measurement are those derived from quoted prices in active markets. The carrying value of the loans and borrowings approximates their fair value due to the relatively short period to maturity of the instruments.

Shareholders' Equity

Authorized

The authorized share capital of the Corporation consists of an unlimited number of common shares without nominal or par value, 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 June 30, 2021.

The number of issued and outstanding common shares as at June 30, 2021 and 2020 was 211,620,590 and 187,265,090, respectively.

As at June 30, 2021 the Corporation had 9,223,000 options outstanding with a range of exercise prices of $0.05 to $0.07 and a weighted average remaining contractual life of 2.40 years.

As at June 30, 2021, the Corporation had 15,751,500 warrants outstanding, exercisable to acquire an additional common share per warrant at a prices that range from $0.05 to $0.11 per common share for up to 24 months following the date of issuance.

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, 2019, 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

IFRS 15 Revenue from contracts with customers

On October 1, 2019 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, 2020.

IFRS 16 - Leases

Effective October 1, 2019 the Corporation adopted IFRS 16 Leases which replaces IAS 17 Leases and requires the recognition of most leases on the statement of financial position. IFRS 16 effectively removes the classification of leases as either financing or operating leases and treats all leases as finance leases for lessees, with practical expedients for short-term leases where the lease term is twelve months or less and for leases of low value items. The accounting treatment for lessors remains essentially unchanged, with the requirement to classify leases as either financing or operating.

Transition:

The Corporation adopted IFRS 16 using the modified retrospective approach by adjusting the opening deficit with no restatement of comparative figures. As such, comparative information continues to be reported under IAS 17 and related interpretations.

For the building lease, the right-of-use asset was measured at its carrying amount as if IFRS 16 had been applied since the commencement date, discounted using either the lease agreement's implicit rate or the Corporation's incremental rate, as applicable. Deferred rent liability, which was required under the previous lease standard, is not required under IFRS 16.

Upon transition, the Corporation did not recognize right-of-use assets for low value leases or leases that have a term of twelve months or less.

The impact of adopting IFRS 16 is disclosed in the Corporation's audited consolidated statement of financial position at September 2020.

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 June 30, 2021 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 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.

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 $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.

COVID-19

Although Sparta has expanded its scope to help facilitate supply of necessary materials, while assisting talented inventors who are looking to introduce innovative technical solutions that will bring greater normalcy to a post COVID-19 world, the Company did experience some temporary slowdowns in some of its divisions, relative to sales, especially in the early stages of the pandemic; where customers found themselves focused on dealing with the impacts of COVID-19 and the subsequent shut down of the global economy rather than on day-to-day business activities.

However, as more businesses open up following the third wave of COVID-19, and the thirst for travel revs up, an increasing number of clients are reporting significant interest in Sparta's suite of technologies, especially those assembled through its health division; helping companies get back up and running safely as we move through the many stages of the pandemic.

With the summer months in full swing and an impressive national adoption of vaccinations to help guard against the ill effects of COVID-19, much of Canada (especially Ontario) is enjoying a euphoric period. If that euphoria continues, it is expected to ignite the economic engine as people leave their cottages behind and get back to work. And Sparta's waste materials upcycling, waste energy upcycling and innovation divisions are well positioned to again benefit from that shift.

However, the new variants are also looming in the back of everyone's mind, so businesses are now looking for ways to position themselves so as not to be detrimentally affected if in fact the Delta Variant does take hold. In light of these two very real possibilities, Sparta's management and staff have continued to look for ways to advance technologies that will be beneficial to the health of our environment while developing processes that can help other businesses maintain good human health during and after the next wave(s) of the pandemic.

Outlook

With the growing demand for ESG and with technologies in different stages of development to address environmental and health concerns, Sparta management, staff, and partners believe the Company is in an enviable position. A large pool of talent both staff-wise and on Sparta's Technical Advisory Board will continue to enable the Company to expand technology and services to address the biggest challenges of our time, including enviornmental concerns in various industry sectors and concerns for human safety.