

Sparta Capital Ltd.
("Sparta" or "Corporation")

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") for the Six Month Periods ended March 31, 2018.

The following discussion and analysis should be read in conjunction with the audited, consolidated financial statements of the Corporation for the years ended September 30, 2017, and 2016.

Date

This management's discussion and analysis is as of May 30, 2018 and is in respect of the six months periods ended March 31, 2018, and 2017.

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

Adaptation is a widely used term now because almost every industry is trying to find ways to adjust to climate change and lower energy bills. Insurance, tourism, construction, manufacturing, food production, textiles, farming, and the commercial industry are all highly exposed to climate change impacts and high energy costs. Adapting so that we are not as heavily reliant on fossil fuel to meet our energy needs is beyond water cooler conversation – its serious business for a lot of organizations. Many company executives are pondering "when" they should adopt cleaner energy sources. For a lot of industries, lowering dependence on fossil fuel is becoming a matter of survival or as we like to say "a matter of sustainability." Really what this means is, if you want to be competitive, you have to think about lowering your carbon footprint.

Over this past year and particularly in the past 6 months, a lot has happened at Sparta as the company continued to focus on growth; strengthening the company through reinvestment in future opportunities.

- throughout Q2'18 Illumineris continued the expansion of its ongoing relationship with CWB Maxium Financial, allowing Illumineris to provide unique financing options to its industrial and commercial clients. This included the expansion of the previously announced services contract that is being used to expand their presence in the Power-Factor mitigation arena; providing future customers a no-cost option based solely on energy savings
- the Illumineris division showed continued growth in Q2'18 announcing a couple of significant orders equaling \$700,000, during the second quarter of FY'2018
- while Q2 continued with a longer, colder, winter season than usual, ReECO Tech Conversions used the opportunity to invest in expanded training of its people while carrying on business in the less weather critical applications. As spring rounded the corner, all crews are positioned and working on new projects as a Tier 1 supplier in the environment-friendly hydro-excavation services, related to the expansion of the fibre-optic information highway
- earlier last year, the Corporation announced the expansion of its ReECO Tech brand to include electronic waste recycling (or "e-waste") allowing Sparta to assist industrial and commercial operations to safely dispose of electronic waste. On November 1, 2017, ReECO Tech announced the acquisition of all the liquidated assets of ERS-International, a Toronto based electronic recycling firm, significantly expanding its e-waste presence. This division has new life, adding additional new clients throughout Q2'18
- and on December 22, 2017 the Corporation announced that the TSXV had granted final approval regarding the reactivation of Sparta from the NEX board of the TSXV to Tier 2 of the TSXV. Effective December 29, 2017, the Corporation's Common Shares commenced trading on the TSXV under the trading symbol "SAY".

The Corporation has been set up to leverage its expertise, which focuses on financing, product development, manufacturing, distribution, sales and service across a wide and growing range of technologies designed to reduce energy inefficiencies, achieve reduced emissions and increased operating efficiency for customers. Sparta also looks to re-invest in the future. All customers have the opportunity to monetize carbon credits resulting from reduced energy inefficiencies to help children around the globe through Sparta's Clean Air for Kids™ initiative.

Moving forward, Sparta will continued to expand its public message – *Capture, Convert & Optimize* resulting in a shift in public brand recognition from Sparta Capital to Sparta Environmental Technologies (*Energy Transformed*).

Sparta will continue to position itself to serve not one type of business, but any type of business through adaptable product and service offerings that address a wide range of issues. With a variety of green services and products that can be utilized by multiple business sectors, Sparta's Capture, Convert & Optimize mentality is becoming a more palatable option to both existing and potential customers and investors.

Under the Sparta Group™ brand, Sparta still has four main divisions:

Illumineris - is the collective term for a group of companies focused on capturing "lost" or "wasted" energy. Presently, Illumineris has three divisions: the photoluminescent safety products ("Safety") division, the comprehensive energy audit, (EMD) division, and the power –factor correction ("Energy Mitigation") division. The Safety division has a distribution agreement with Jessup Manufacturing of McHenry Illinois to distribute their specialized photoluminescent exit signs and egress pathway markings, which can reduce consumption of electricity. Meanwhile, the EMD division measures and monitors energy use in commercial buildings and manufacturing facilities. It also offers turnkey solutions, as well as ongoing support. The Energy Mitigation division is focused on delivering energy management and power quality solutions and services. This includes harmonic mitigation and power factor correction for clients in industrial and commercial areas, which can help to reduce power losses and corresponding costs. In other words, it can increase the customer's revenues.

ReECO Tech - is the collective term for a group of conversion technology companies that collect waste materials with a focus on converting such waste streams into new usable forms while helping develop environmentally sustainable economies. ReECO Tech's services provide a viable option for helping manufacturers reduce waste, save resources, save money and lower their carbon footprint. Presently ReECO Tech has three divisions;

ReECO Tech Conversion Technologies Ltd. ("ReECO Tech Conversions") - originally a biomass conversion company with a focus on sequestering CO2 emissions through waste diversion and converting biomass waste into consumables such as waste-to-energy products; it has since expanded to include hydro-vac services in the environment-friendly excavation arena — this is a horizontally and vertically integrated business unit that is poised to secure long term contracts to help transform communications networks while also monetizing the retrieved clean-soil waste into many new usable products..

ReECO Tech Electronic Conversions Ltd. ("ReECO Tech Electronics - an electronics recycling company focusing on conversion and remarketing of old electronic components resulting from our ever increasing rate of change in electronic technology. This addition has expanded the ReECO Tech division into the electronic-waste sector.

ReECO Tech Property Conversions Ltd. ("ReECO Tech Property") - is our newly announced property development division created to utilize earnings and implement the technologies from other business units into "smart", net-zero ready, environmentally responsible community developments; designed with concern for our planet in mind

SuperNova Performance Technologies Ltd. ("SuperNova") - is a division focusing on green initiatives, especially related to combustion and the transportation sector. SuperNova, an exciting new division for the Sparta Group, opens up opportunities in the new initiatives where SuperNova will look to explore new ventures including, but not limited to, efficient products capable of powering novel generation systems. SuperNova holds various previously tested technologies, such as the Hydrogen Power Lizard™, the Tri-PATH™ (hydrogen enhanced, exhaust gas re-compression system) and the TreeFrog Transportation Optimization Systems™ with plans for future commercialization.

Sparta Technologies 4 Mining Ltd. ("4 Mining") is a mining technology division with a focus on the development of an emissions free underground vehicle propulsion system. The mining division is looking to expand its offerings to include a number of above ground vehicle platforms and carbon efficient mining equipment.

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, March 31, 2018, the Corporation has incurred a net loss from operations of \$267,522 (2017 – \$152,878) and has a working capital deficit of \$1,988,752 (2017 - \$260,895 positive working capital). For the six-month period ending, March 31, 2018, the Corporation has incurred a net loss from operations of \$867,058 (2017 – \$288,975)

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

There can be no assurance that capital will be available as necessary to meet these continuing development costs or, if the capital is available, that it will be on terms acceptable to the Corporation. The

issuances of additional equity securities by the Corporation may result in significant dilution to the equity interests of its current shareholders. If the Corporation is unable to obtain financing in the amounts and on terms deemed acceptable, the business and future success may be adversely affected.

These conditions raise significant doubt about the Corporation's ability to continue as a going concern. If the going concern assumption were not appropriate for these financial statements, then adjustments would be necessary to the carrying values of assets and liabilities, and the balance sheet classifications used could be material.

In December, Sparta completed an equity financing by issuing 10,000,000 common shares at \$0.05 per share for gross proceeds of \$500,000.

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

It has been another productive quarter for The Corporation. With the expansion of ReECO Tech, the reinforcing of Illumineris with additional financing options, and the continued work to develop new partnerships all created a stronger, larger business as well as a growing customer base.

Over the course of the past year, Sparta served 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 ReECO Tech equipment fleet while investing heavily in its people with advanced training, specifically as it relates to hydro-vac and directional drilling services; and zeroing in on the acquisition of property to be developed as a fully green community (housing development).

Sparta will continue to seek further opportunities and additional complimentary waste-streams 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 subsidiary companies. As well, 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 new Sparta products 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:

	2017	2016	2015
	\$	\$	\$
Total Assets	2,466,677	1,279,806	243,602
Total Non-Current Financial Liabilities	-	-	-
Revenues	6,964,447	4,543,667	10,340
Net loss, attributable to:			
Shareholders	(1,880,335)	(71,130)	(441,445)
Non controlling interests	<u>(85,903)</u>	<u>(64,938)</u>	<u>(61,039)</u>
Total	(1,966,238)	(136,068)	(502,484)
Basic and diluted net loss per share	(0.013)	(0.001)	(0.004)
Weighted average number outstanding	152,013,082	142,244,425	123,156,814

For the year ended September 30, 2017, 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:

	Q2 March 31, <u>2018</u>	Q1 December 31, <u>2017</u>	Q4 September 30, <u>2017</u>	Q3 June 30, <u>2017</u>	Q2 March 31, <u>2017</u>	Q1 December 31, <u>2016</u>	Q4 September 30, <u>2016</u>	Q3 June 30, <u>2016</u>
Net Income (Loss)	(267,522)	(599,536)	(1,862,864)	213,801	(193,578)	(123,567)	(80,059)	376,996
Earnings (Loss) per Share	(0.002)	(0.004)	(0.012)	0.001	(0.001)	(0.001)	(0.000)	0.002
Total Assets	3,865,481	3,794,964	2,466,677	2,002,195	1,731,129	1,321,058	1,279,806	1,236,116
Total Liabilities	5,215,047	4,890,918	3,455,787	1,713,919	1,455,981	1,079,379	998,756	1,052,007

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 March 31, 2018 and 2017

Overall for the three month periods ended March 31, 2018 and 2017 respectively the Corporation had a loss from operations of \$267,522 and \$152,878 and net loss and comprehensive loss of \$267,522 and \$193,578. The increase in the net loss in 2018 was primarily a result of the ReECO Tech Conversion Technologies division making the conscious decision to not lay off employees when business was slow throughout winter season and instead invested in the training of the entire team; positioning the company to become a Tier 1 supplier in the Bell Gigabit project.

Overall for the six month periods ended March 31, 2018 and 2017 respectively the Corporation had a loss from operations of \$867,058 and \$288,975 and net loss and comprehensive loss of \$867,058 and \$317,175. The increase in the net loss in 2018 was due to the loss from the ReECO Tech Conversion Technologies division as described in the previous section.

Expenses

Expenses for three months ended March 31

The total expenses increased to \$3,001,354 during 2018, an increase of \$1,046,300 representing a 54% increase from the \$1,955,054 in 2017.

Transportation decreased by \$263,829 or 34% to \$523,699 from \$787,528 due to an inherent shift in business within the ReECO Tech Conversion Technologies division from fibre capture to the environment-friendly excavation arena.

Salaries and benefits increased by \$846,856 or 526% to \$1,007,820 from \$160,964 due to the expansion of the ReECO Tech Electron Conversions division and to a decrease in the use of consultants.

Consulting fees decreased by \$79,898 or 33% to \$164,218 from \$244,166 due to a shift towards more full-time employees in both ReECO Tech Conversion Technologies and ReECO Tech Electronics.

Repairs and maintenance increased by \$60,248 or 83% to \$132,676 from \$72,428 due to the increased number of pieces of heavy equipment the collective group now operates.

Travel, promotion and office increased by \$43,582 or 72% to \$104,538 from \$60,956 due to the expansion of Sparta's executive team as well as the shift to expand Sparta's messaging.

Professional fees decreased by \$61,865 or 74% to \$21,544 from \$83,409 due to a shift towards more full-time employees in both ReECO Tech Conversion Technologies and ReECO Tech Electronics..

Automotive increased by \$102,693 or 700% to \$88,012 from (\$14,681) due to expansion of ReECO Tech

Conversion Technologies' operations, Illuminerus' operations and the addition of ReECO Tech Electronics Occupancy increased by \$180,929 or 589% to \$211,668 from \$30,739 due to expansion of operations in ReECO Tech Conversion Technologies and ReECO Tech Electronics.

Marketing fees decreased by \$63,756 or 54% to \$54,493 from \$118,249 due to the re-direction of priorities in the ReECO Tech Conversion Technologies division.

Expenses for six months ended March 31

The total expenses increased to \$6,476,915 during 2018, an increase of \$3,085,184 representing a 91% increase from the \$3,390,731 in 2017.

Transportation decreased by \$622,987 or 38% to \$1,001,861 from \$1,624,848 due to an inherent shift in business within the ReECO Tech Conversion Technologies division from fibre capture to the environment-friendly excavation arena.

Salaries and benefits increased by \$1,647,824 or 521% to \$1,964,262 from \$316,438 due to the expansion of the ReECO Tech Electronic Conversions division and to a decrease in the use of consultants.

Consulting fees decreased by \$67,906 or 24% to \$352,122 from \$284,216 due to a shift towards more full-time employees in both ReECO Tech Conversion Technologies and ReECO Tech Electronics..

Product costs increased by \$712,6524 or 184% to \$1,100,930 from \$388,278 due to and expansion in sales within the Illumineris division, the expansion of the ReECO Tech Electronics division and to a shift in business in the ReECO Tech Conversion Technology division.

Repairs and maintenance increased by \$106,047 or 81% to \$237,539 from \$131,492 due to the increased number of pieces of heavy equipment the collective group now operates.

Travel, promotion and office increased by \$89,263 or 114% to \$167,817 from \$78,554 due to the expansion of Sparta's executive team as well as the shift to expand Sparta's messaging.

Professional fees decreased by \$21,977 or 21% to \$81,768 from \$103,745 due to a shift towards more full-time employees in both ReECO Tech Conversion Technologies and ReECO Tech Electronics.

Automotive increased by \$152,151 or 860% to \$169,850 from \$17,699 due to expansion of ReECO Tech Conversion Technologies' operations, Illuminerus' operations and the addition of ReECO Tech Electronics

Occupancy increased by \$219,168 or 371% to \$278,296 from \$59,128 due to expansion of operations in ReECO Tech Conversion Technologies and ReECO Tech Electronics.

Marketing fees decreased by \$35,044 or 21% to \$135,000 from \$170,044 due to the re-direction of priorities in the ReECO Tech Conversion Technologies division.

Cash Flows

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

	<u>YTD 2018</u>	<u>YTD 2017</u>
Cash used in operating activities	(\$483,624)	\$323,913
Cash provided by financing activities	\$601,055	\$92,600
Cash used in investing activities	(\$119,256)	(499)
Increase (decrease) in cash	(\$1,825)	\$416,014

For the three month period ended March 2018, cash used in operations was \$209,472. Cash provided by financing activities of \$358,802 related to the proceeds from share issuance of \$272,500 and capital lease of \$92,050. Cash used in investing activities relates to the purchase of fixed assets of \$689,743 of which \$486,177 relates to the purchase of the assets of ERS International which has formed the basis for ReECO Tech Electronic Conversions.

Liquidity

The Corporation had a cash balance at March 31, 2018 of \$933,565 (2017 – \$999,471).

At March 31, 2018 the Corporation had a working capital deficit of \$1,988,752 (2017 – positive working capital \$260,895). In order to meet the Corporation's anticipated working capital requirements it will be required to attract additional funds through the issue of debt, equity or other business means to further the development of the Corporation's products and to provide sufficient working capital. The Corporation monitors its working capital position and makes changes or reductions in expenditures to help sustain sufficient liquidity to meet liabilities on a timely basis.

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

As of March 31, 2018, the Corporation had notes payable of \$258,731, demand loan of \$546,179, convertible debentures of \$279,834, Obligation under capital lease of \$92,050 and other loans of \$932,288.

Contractual Obligations

On June 1, 2015 Illumineris entered into distribution agreement with Jessup Manufacturing of McHenry IL. to become a distributor of Jessup Manufacturing products. The sales territory is Canada and the initial term of the agreement is two years which automatically renews for successive one year periods. Under the terms of the agreement, Illumineris is limited to distributing Jessup products and will refrain from offering any competing products. In connection with the distribution agreement, Illumineris signed a General Security Agreement which gives Jessup Manufacturing a charge over any and all assets of Illumineris.

The Corporation leases trailers which require future annual payments of \$168,000 in 2018.

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, 2018, included in loans receivable is \$30,100 (September 30, 2017 - \$46,633) related to advances made to SETA Group, a company controlled by a Director of the Corporation.

Key management compensation

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

For the six months ended March 31,	2018	2017
Consulting fees	74,283	90,000

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:

	March 31, 2018	March 31, 2017
Financial Assets		
Cash and cash equivalents	933,565	999,471
Accounts receivable	1,469,075	695,468
Financial Liabilities		
Accounts payable and accrued liabilities	2,981,904	1,325,270
Loans	2,109,082	13,000

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

Shareholders' Equity

Authorized

The authorized share capital of the Corporation consists of an unlimited number of common shares without nominal or par value and an unlimited number of preferred shares, issuable in series. The rights, privileges, restrictions and conditions attached to the preferred shares are to be determined by the Directors of the Corporation at time of issuance. There are no preferred shares issued or outstanding as at March 31, 2018.

The number of issued and outstanding common shares as at March 31, 2018 and as of the date of this MD&A was 171,295,890.

As at March 31, 2018 and as at the date of the MD&A the Corporation had 8,988,000 options outstanding with a range of exercise prices of \$0.05 to \$0.10 and a weighted average remaining contractual life of 4.19 years.

As at March 31, 2018 and as at the date of this MD&A, the Corporation had 10,936,000 warrants outstanding with an exercise price range of between \$0.02 to \$0.11 per warrant and remaining average contractual life of .58 years.

Contributed surplus totaled \$715,347 at March 31, 2018. The balance comprises mainly of the cumulative stock-based compensation expenses and warrants not exercised.

Application of new and revised International Financial Reporting Standards

At the date of authorization of these financial statements, the International Accounting Standards Board ("IASB") and International Financial Reporting Interpretations Committee ("IFRIC") has issued the following new and revised standards, amendments and interpretations which are not yet effective during the three-month period ending March 31, 2018.

IFRS 9 - Financial Instruments is intended to replace IAS 39 Financial Instruments: Recognition and Measurement and uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. For financial liabilities designated at fair value through profit or loss, an entity can recognize the portion of the change in fair value related to the change in the entity's own credit risk through other comprehensive income rather than profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39, and incorporates new hedge accounting requirements. The new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Corporation is currently evaluating the impact of adopting IFRS 9 on the consolidated financial statements.

IFRS 15 - Revenue from Contracts with Customers - In May 2014, the IASB published IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15"), replacing IAS 11, "Construction Contracts" and IAS 18, "Revenue" and several revenue-related interpretations. IFRS 15 establishes a single revenue recognition framework that applies to contracts with customers. The standard requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive, when control is transferred to the purchaser. Disclosure requirements have also been expanded. The new standard is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The standard may be applied retrospectively or using a modified retrospective approach. The Corporation is currently evaluating the impact of adopting IFRS 15 on the consolidated financial statements.

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 new standard will be effective from January 1, 2019 with limited early application permitted. The Corporation is currently monitoring the development of this standard and assessing the impact that adoption of this standard may have on the consolidated financial statements.

The Company has not early-adopted these standards, amendments and interpretations and anticipates that the application of these standards, amendments and interpretations will not have a material impact on the financial position and financial performance of the Company.

Capital Management

The Corporation's objectives when managing capital is to safeguard its ability to continue as a going concern, 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, 2018 shareholders' deficit was \$1,415,976 (2017 - \$275,148) and loans and borrowings were at \$2,109,082 (2016 - \$13,000). 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:

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. However, based on the particular customer's credit history and their payment history, this is not considered a major risk.

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 2018 working capital requirements. The Corporation had a cash balance at March 31, 2018 of \$933,565 (2017 – \$999,471) and working capital deficit of \$1,988,752 (2017 – positive working capital of \$260,895).

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

Sparta management and staff continues to work quietly to source and build a suite of services and products that can meet the needs of our changing business landscape. That landscape is filled with customers who realize they must find ways to cope with climate change, as well as soaring energy costs. For many customers, reducing vulnerability to environmental hazards and addressing energy costs is a matter of survival. Sparta has the expertise and tools in place to assist them.