

Sparta Capital Ltd.

("Sparta" or "Corporation")

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") for the Three Month Periods ended December 31, 2017.

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 March 1, 2018 and is in respect of the three months periods ended December 31, 2017, and 2016.

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

Rising seas, longer droughts, stronger storms, and increased energy demand – these are the reasons everyone is talking about climate change. As the world's leading scientists have pointed out, climate change is the biggest environmental and social crisis of our time. Many company executives are no longer asking "if" they should adopt cleaner energy sources but rather "when" they should adopt them. Lowering our dependence on fossil fuels has become a matter of survival for many individuals and business operators so the answer is "now"

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

- throughout Q1'18 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 implementation of a unique services contract that will be 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 impressive growth in Q1'18 posting \$912,027 in revenues during the first quarter of FY'2018
- 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
- even though Q1'18 included a couple of very cold winter-weather months, ReECO Tech Conversions produced a 20% year-over-year growth in revenues; much of which was attributed to its environment-friendly hydro-excavation services
- 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 continue 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 brand Sparta Environmental Technologies™, Sparta still has four main divisions:

Illumineris, which has two divisions; the photoluminescent safety products ("Safety") division and the comprehensive energy audit ("EMD") division. The Safety division has a distribution agreement with Jessup Manufacturing of McHenry IL to distribute their specialized photoluminescent exit signs and egress pathway markings to reduce the consumption of carbon based electricity. The EMD division measures and monitors energy use in commercial buildings and manufacturing facilities and offers turnkey solutions and ongoing support. The Illumineris division has a referral relationship with CWB-Maxium Financial, allowing them to offer financing options to Illumineris industrial and commercial customers; including an unprecedented performance-based financing option.

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”) is a biomass conversion company with a focus on sequestering CO₂ emissions through waste diversion; converting biomass waste into consumables such as waste-to-energy products. Over the past year ReECO Tech Conversions experienced a significant growth to their heavy equipment fleet, adding 5 hydro-vac trucks, 3 tankers and a coring machine to their fleet of tractors and heavy-duty bulk trailers as they branched 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 converting retrieved clean-soil waste into many new usable products.

ReECO Tech Electronic Conversions Ltd. (“ReECO Tech Electronics”) is an electronics recycling company focused on conversion and re-marketing of old electronic components resulting from our ever increasing rate of change in electronic technology. On November 1, 2017 Sparta announced the ReECO Tech Electronics had completed a transaction to acquire all the liquidated assets of ERS International for a purchase price of \$506,179 as well as assumption of premises security deposit of \$40,000. The company which now carries on business under the ReECO Tech ERS-International banner intends to use the purchased assets to expand its current e-waste operations.

ReECO Tech Property Conversions Ltd. (“ReECO Tech Property”) is a newly formed property development division created to utilize earnings and 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.

SuperNova Performance Technologies Ltd. (“SuperNova”) is a newly acquired division with a focus on green initiatives for the transportation sector. On July 5, 2017, Sparta successfully completed the acquisition of SuperNova Performance Technologies Ltd. (“SuperNova”) for Common Shares of Sparta on a one-for-one basis, resulting in SuperNova becoming a wholly owned subsidiary of Sparta. The acquisition of SuperNova creates an exciting new division for Sparta, opening up opportunities in the transportation sector 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™ that Sparta will look to commercialization in future.

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.

Although Sparta has undergone notable growth over the last several months, constantly changing energy demands mean that the Corporation will always be evaluating new, advanced technologies, which can lead to further business growth.

To date, growth has been accomplished through the formation of majority controlled corporations and/or exclusive licensing agreements. In future, the corporation will continue to seek out new opportunities by leveraging its expertise in product development, manufacturing, distribution, sales and service across a range of complimentary environmentally responsible products and services.

Going Concern

These financial statements have been prepared on a going concern basis which assumes that the Corporation will realize its assets and discharge its liabilities in the normal course of business.

For the three-month period ending, December 31, 2017, the Corporation has incurred a net loss from operations of \$599,536 (2016 – \$123,597) and has a working capital deficit of \$2,077,666 (September 30, 2017 - \$1,078,610).

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 created a larger business and 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; and developing plans for a fully green community (housing development) that would include the best possible indoor and outdoor environmental practices. At the same time, Sparta continued to investigate technologies to convert carbon-based waste-streams into concentrated energy sources.

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 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 Annual 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 current liabilities	3,455,787	998,756	315,484
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)

	<u>Common Shares</u>	<u>Common Shares</u>	<u>Common Shares</u>
Weighted average number outstanding	152,013,082	142,244,425	123,156,814

For the three months period ended December 31, 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:

	<u>Q1</u> <u>December 31,</u> <u>2017</u>	<u>Q4</u> <u>September 30,</u> <u>2017</u>	<u>Q3</u> <u>June 30,</u> <u>2017</u>	<u>Q2</u> <u>March 31,</u> <u>2017</u>	<u>Q1</u> <u>December 31,</u> <u>2016</u>	<u>Q4</u> <u>September 30,</u> <u>2016</u>	<u>Q3</u> <u>June 30,</u> <u>2016</u>	<u>Q2</u> <u>March 31,</u> <u>2016</u>
Revenue	2,875,025	2,354,924	1,507,767	1,802,176	1,299,580	1,563,813	2,895,846	61,294
Net Income (Loss)	(599,536)	(1,862,864)	213,801	(193,578)	(123,567)	(80,059)	376,996	(327,389)
Earnings (Loss) per Share	(0.004)	(0.012)	0.001	(0.001)	(0.001)	(0.000)	0.002	(0.002)
Total Assets	3,469,964	2,466,677	2,002,195	1,731,129	1,321,058	1,279,806	1,236,116	309,122
Total Liabilities	4,890,918	3,455,787	1,713,919	1,455,981	1,079,379	998,756	1,052,007	502,009

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

Variances in net loss by quarter is not cyclical of 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 December 31, 2017

Overall for the three month periods ended December 31, 2017 and 2016 respectively the Corporation had a loss from operations of \$599,536 and \$136,097 and net loss and comprehensive loss of \$599,536 and \$123,597. The increase in the net loss in 2017 was due to to the loss from ReECO Tech Conversion Technologies operations of \$409,704.

Expenses

The total expenses increased to \$3,474,561 during 2017, an increase of \$2,038,884 representing a 142% increase from the \$1,435,677 in 2016. The increase in expenses relates to \$579,691 for newly formed ReECO Tech Electronic Conversions, \$755,968 for Illumineris due to growth in business activities and \$585,753 for ReECO Tech Conversion Technologies due to business expansion.

Professional fees increased to \$60,224 in 2017 from \$20,336 in 2016 due to an increase for professional legal, accounting and audit fees as the acquisitions and private placements over this past year were more complex and time consuming than in previous years.

Consulting fees increased to \$187,904 in 2017 from \$40,100 in 2016 mainly because of the opening of the new ReEco Tech Electronic subsidiary.

Salaries and benefits increased to \$956,442 in 2017 from \$155,474 in 2016 as a result of the commencement of the excavation operations in ReEco Tech Conversions.

Transportation costs decreased to \$478,162 in 2017 from \$837,323 in 2016 as a result of decreased sales to one of ReEco Tech Conversion's customers in the waste diversion business.

Product costs increased to \$835,084 in 2017 from \$94,376 in 2016 as a result of expanding operations in Illumineris and the start up of the ReEco Tech Electronic Conversion subsidiary.

Repairs and maintenance increased to \$104,863 in 2017 from \$59,064 in 2016 as a result of the acquisition and rental of equipment used primarily in the excavation operations.

Services costs increased to \$379,962 in 2017 from \$nil in 2016. This was attributed to the new excavation business activities in ReECO Tech Conversion Technologies.

Cash Flows

The following is a summary of cash flows for the three month periods ended December 31:

	<u>Q1 2017</u>	<u>Q1 2016</u>
Cash used in operating activities	(\$274,152)	(\$295,808)
Cash provided by financing activities	\$242,253	\$92,600
Cash used in investing activities	(\$104,565)	-
Decrease in cash	(\$136,464)	(\$203,208)

For the three month period ended December 2017, cash provided by financing activities of \$242,253 related to the proceeds from share issuance of \$175,000 and loan proceeds of \$67,253. Cash used in investing activities relates to the purchase of fixed assets of \$104,565.

Liquidity

The Corporation had a cash balance at December 31, 2017 of \$798,926 (September 30, 2017 – \$935,390).

At December 31, 2017 the Corporation had a working capital deficit of \$2,077,666 (September 30, 2017 – \$1,078,610). 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 December 31, 2017, the Corporation had notes payable of \$257,418, demand loan of \$546,179, convertible debentures of \$279,834 and other loans of \$933,349.

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 December 31, 2017, included in loans receivable is \$27,500 (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 three months ended December 31,	2017	2016
Consulting fees	74,283	40,000

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:

	December 31, 2017	September 30, 2017
Financial Assets		
Cash and cash equivalents	798,926	935,390
Accounts receivable	1,609,279	1,258,161
Financial Liabilities		
Accounts payable and accrued liabilities	2,868,138	1,764,078
Loans	2,022,780	1,213,243

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 December 31, 2017.

The number of issued and outstanding common shares as at December 31, 2017 was 171,295,890 and 171,295,890 as of the date of this MD&A.

As at December 31, 2017 and as at the date of this 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 3.73 years.

As at December 31, 2017 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 0.58 years.

Contributed surplus totalled \$715,347 at December 31, 2017. The balance comprises mainly of the cumulative stock-based compensation expenses and warrants not exercised.

Application of new and revised International Financial Reporting Standards

The unaudited consolidated interim financial statements follow the same accounting policies as the most recent annual audited consolidated financial statements. The interim consolidated financial statements note disclosures do not include all of those required by IFRS applicable for annual consolidated financial statements. Accordingly, these interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended September 30, 2017.

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 December 31, 2017 shareholders' deficit was \$1,420,954 (September 30, 2017 - \$989,110) and loans and borrowings were at \$2,022,780 (September 30, 2017 - \$1,469,349). 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.

The Corporation has \$1,138,096 (September 30, 2017 - \$369,490) of accounts receivable from four customers (2016 – one), which represents 71 % (September 30, 2017 - 30%) of total accounts receivable.

Liquidity Risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting obligations associated with its financial liabilities. The Corporation's objective in managing liquidity risk is to maintain sufficient liquidity to meet liabilities when due by holding sufficient cash and cash equivalents to settle current liabilities and meet its anticipated working capital requirements. The Corporation had a cash balance at December 31, 2017 of \$798,926 (September 30, 2017 – \$935,390) and a working capital deficit of \$2,077,666 (September 30, 2017 – \$1,078,610).

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.