

SPARTA CAPITAL LTD.

Calgary, Alberta

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

December, 2016 and 2015

NOTICE: The accompanying unaudited interim condensed consolidated financial statements and notes thereto for the three months ended December 31, 2016 and 2015 have been prepared by management. These financial statements have not been reviewed by the Corporation's external auditors.

Sparta Capital Inc.

Condensed Consolidated Interim Statements of Financial Position

As at September 30,	December 31, 2016	September 30, 2016
	\$	\$
Assets		
Current assets		
Cash	380,249	583,457
Accounts receivable	778,641	649,265
Inventories	616	10,342
Prepaid expenses	147,798	22,988
	<u>1,307,304</u>	<u>1,266,052</u>
Equipment	13,754	13,754
	<u>1,321,058</u>	<u>1,279,806</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	1,020,867	958,877
Income taxes payable	-	12,500
Deferred revenue	45,512	14,379
Loans	13,000	13,000
	<u>1,079,379</u>	<u>998,756</u>
Shareholders' equity (deficit)		
Share capital	7,189,847	6,953,647
Share subscriptions receivable	-	-
Share subscriptions received	-	177,000
Warrants	33,400	-
Contributed surplus	700,181	700,181
Deficit	(7,508,465)	(7,423,801)
Total equity attributable to the equity holders of the Corporation	<u>414,963</u>	<u>407,027</u>
Equity attributable to non-controlling interest	<u>(173,284)</u>	<u>(125,977)</u>
	<u>241,679</u>	<u>281,050</u>
	<u>1,321,058</u>	<u>1,279,806</u>

Going concern (note 1)

Approved on behalf of the Board:

Signed: “John O’Bireck”

John O’Bireck, Director

Signed: “Alyn D. Patterson”

Alyn D. Patterson CPA CA, CFO

See accompanying notes to the consolidated financial statements.

Sparta Capital Inc.**Condensed Consolidated Interim Statements of Comprehensive Loss**

For the three month period ending,	December 31, 2016	December 31, 2015
	\$	\$
Sales		
Sales	1,299,580	22,714
Cost of sales	931,699	12,653
Gross margin	367,881	10,061
Expenses		
Consulting fees	40,100	18,000
Salaries and benefits	155,474	47,339
Equipment rental	69,864	-
Repairs and maintenance	59,064	-
Occupancy	28,389	-
Office and supplies	12,784	1,007
Marketing fees	51,795	-
Advertising promotion	11,251	11,623
Travel	4,073	16,480
Professional fees	20,336	6,250
Transportation	32,379	-
Insurance	10,201	3,847
Licenses and fees	7,066	10,798
Interest and bank charges	1,202	-
	503,978	115,677
Loss and comprehensive loss before income taxes	(136,097)	(105,616)
Income taxes	(12,500)	-
Net and comprehensive loss for the period	(123,597)	(105,616)
Net loss and comprehensive loss attributable to:		
Shareholders	(84,664)	(76,434)
Non-controlling interest	(38,933)	(29,182)
<hr/>		
Loss and comprehensive loss per share Basic and diluted	(0.001)	(0.000)

See accompanying notes to the consolidated financial statements.

Sparta Capital Inc.

Condensed Consolidated Interim Statements of Changes in Equity

	Number of common shares	Share capital \$	Contributed surplus \$	Warrants \$	Share subscription receivable \$	Share subscription received \$	Deficit \$	Non- controlling interest \$	Total \$
Balance, October 1, 2016	144,654,140	6,953,647	700,181	-	-	177,000	(7,423,801)	(125,977)	281,050
Private placement	3,540,000	177,000	-	33,400	-	(177,000)	-	-	33,400
Private placement	826,000	41,300	-	-	-	-	-	-	41,300
Warrants exercised	1,026,000	17,900	-	-	-	-	-	-	17,900
Profit for year	-	-	-	-	-	-	(84,664)	(38,933)	(123,597)
Balance, December 31, 2016	150,046,140	7,189,847	700,181	33,400	-	-	(7,508,465)	(164,910)	250,053
Balance, October 1, 2015	138,964,140	6,612,247	612,741	144,340	(27,500)	-	(7,413,710)	(61,039)	(10,843)
Share subscription received	-	-	-	-	7,500	-	-	-	7,500
Loss for period	-	-	-	-	-	-	(105,616)	29,182	76,434
Balance, December 31, 2015	138,964,140	6,612,247	612,741	144,340	(20,000)	-	(7,519,326)	(90,221)	(79,777)

See accompanying notes to the consolidated financial statements.

Sparta Capital Inc.**Statement of Consolidated Cash Flows**

For the three month period ending,	December 31, 2016 \$	December 31, 2015 \$
Operating activities		
Loss	(136,097)	(105,616)
Change in non-cash working capital items		
Accounts receivable	(129,376)	(3,291)
Inventories	9,726	
Prepaid expenses and deposits	(124,810)	(45,957)
Accounts payable and accrued liabilities	66,116	21,888
Income taxes payable	(12,500)	-
Deferred revenue	31,133	-
	<u>(295,808)</u>	<u>(132,976)</u>
Financing activities		
Proceeds from share issuance	92,600	7,500
	<u>92,600</u>	<u>7,500</u>
Change in cash	(203,208)	(125,476)
Cash (bank indebtedness), beginning of period	<u>583,457</u>	<u>196,381</u>
Cash (bank indebtedness), end of period	<u><u>380,249</u></u>	<u><u>70,905</u></u>

See accompanying notes to the consolidated financial statements.

SPARTA CAPITAL LTD.

Notes to the Condensed Consolidated Interim Financial Statements As at and for the three months ended December 31, 2016 and 2015

1. Reporting Entity, Nature of Operations and Going Concern

Reporting entity and nature of operations

Sparta Capital Ltd. (the "Corporation" or "Sparta") was incorporated pursuant to the provisions of the Business Corporations Act (Alberta) on February 24, 1988. The Corporation maintains its head office at 303, 6707 Elbow Drive SW Calgary, Alberta, T2V 0E5 and registered office at Suite 1600, Dome Tower, 333 - 7th Avenue S.W. Calgary, Alberta, T2P 2Z1. The Corporation is publicly listed on the NEX board of the TSX Venture Exchange under the symbol "SAY.H".

The Corporation seeks to leverage its expertise in product development, manufacturing, distribution, sales and service across a range of complementary products.

The Corporation offerings include four different environmentally centered market verticals through the formation of majority controlled corporations and exclusive licensing agreements. The offerings include optimization of energy consumption in the commercial and manufacturing sectors, construction and energy through biomass conversion, energy conservation in mining, and energy savings in transportation.

During the year, the Corporation focused on the expansion of a number of divisions:

- Illumineris Inc. ("Illumineris") 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.
- ReECO Tech Conversion Technologies Ltd. ("ReECO Tech") is a biomass division with a focus on helping develop environmentally sustainable economies by converting biomass waste into consumables such as waste-to-energy products. ReECO Tech's services provide a viable option for helping manufacturers reduce waste, save resources, save money and lower their carbon footprint. Over the past two quarters, ReECO Tech has invested significantly in a number of future developments in order to add to business growth and profitability. This includes the arduous process of obtaining an ISO-9000 certification, which will make the company eligible to expand its business into additional high-profile projects.
- Sparta Technologies 4 Mining Ltd. ("4 Mining") is a mining division with a focus on the development of an emissions free underground vehicle propulsion system. This 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 condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") accounting principles applicable to a going concern which assumes that the Corporation will realize its assets and discharge its liabilities in the normal course of business.

At December 31, 2016 the Corporation had a working capital of \$227,925. In order to meet the Corporation's anticipated working capital requirements it will be required to attract additional funds through the issue of debt or equity to further the development of the Corporation's products and to provide sufficient working capital. 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. Management plans to seek additional financing, through equity, debt, or by other business means to further the development of the Corporation's products and to provide sufficient working capital. The Corporation anticipates raising additional equity in 2016.

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Notes to the Condensed Consolidated Interim Financial Statements As at and for the three months ended December 31, 2016 and 2015

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, thus giving rise to doubt about the Corporation's ability to continue as a going concern.

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.

2. Basis of Presentation

Statement of compliance

These condensed consolidated interim financial statements have been prepared by management in accordance with IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of financial statements. These interim financial statements do not include all the note disclosures required for annual financial statements and therefore they should be read in conjunction with the Corporation's audited financial statements for the year ended September 30, 2016. These condensed consolidated interim financial statements should be read in conjunction with the annual financial statements of the Corporation for the year ended September 30, 2016 as filed by the Corporation on www.sedar.com.

These condensed consolidated interim financial statements follow the same accounting policies and methods of application those applied in the Corporation's annual financial statements for the year ended September 30, 2016.

These condensed consolidated interim financial statements were authorized for issuance by the Corporation's Board of Directors on March 1, 2017.

Basis of measurement

These condensed consolidated interim financial statements have been prepared on the historical cost basis and are presented in Canadian dollars, which is the Corporation's functional and reporting currency.

3. Basis of Presentation

Consolidation

These condensed consolidated financial statements incorporate the financial statements of the Corporation and its subsidiaries. Sparta Capital Ltd. is the ultimate parent company of the consolidated group. Subsidiaries are consolidated from the date on which the Corporation obtains control and continue to be consolidated until control ceases. Control is established when the Corporation has the power to govern the financial and operating policy decisions of the entity so as to obtain benefits from the entity's activities, and generally exists where more than 50% of the voting power of the entity is held by the Corporation. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All material inter-company transactions and balances are eliminated in full upon consolidation.

Where the ownership of a subsidiary is less than 100%, and a non-controlling interest exists, any losses of that subsidiary are attributed to the non-controlling interest even if it results in a deficit. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

SPARTA CAPITAL LTD.

Notes to the Condensed Consolidated Interim Financial Statements As at and for the three months ended December 31, 2016 and 2015

The subsidiaries of the Company and their principal activities as at September 30, 2016 were as follows:

Name of subsidiary	Ownership interest at September 30,		Principal activity
	2016	2015	
Newport Environmental Technologies Ltd.	100%	100%	Inactive
Illumineris Inc.	51%	51%	Product distribution
Illumineris Systematics Inc.	51%	-	Product development and distribution
ReECO Tech Conversion Technologies Ltd.	51%	100%	Product development and distribution
Sparta Technologies 4 Mining Ltd.	100%	100%	Product development

Sparta owns 51% of Illumineris Inc., Illumineris Systematics Inc., and ReECO Tech Conversion Technologies Ltd. with the remaining shares held by an external trustee for future issuance to employees and consultants.

Basis of measurement

The financial statements have been prepared on the historical cost basis and are presented in Canadian dollars, which is the Corporation's functional currency.

Use of estimates and judgments

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

(i) Estimates

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Key areas with estimate uncertainties are as follows:

- Stock based compensation - estimates for forfeiture rates, volatility and expected life of options.

(ii) Judgments

Judgments in applying accounting policies are as follows:

- Going concern – the ability of the Corporation to continue as a going concern.

4. Share Capital

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, 2016.

SPARTA CAPITAL LTD.

Notes to the Condensed Consolidated Interim Financial Statements As at and for the three months ended December 31, 2016 and 2015

Issued

On March 6, 2015 the Corporation completed the first tranche of an 18,800,000 unit offering by issuing 12,664,000 units for \$0.05 per unit for gross proceeds of \$633,200. Each unit is comprised of one common share and one share purchase warrant of the Corporation. Each warrant entitles the holder to acquire an additional common share at a price of \$0.05 per common share for up to twelve months from the date of issuance. If the volume weighted average trading price of the common shares is greater than \$0.14 for 20 consecutive business days prior the warrant expiry date, the warrant expiry date may be accelerated, in the Corporation's sole discretion, to 30 business days from the date acceleration event.

On May 6, 2015 the Corporation completed the second tranche of an 18,800,000 unit offering by issuing 1,770,000 units at \$0.05 per unit for gross proceeds of \$88,500. Each unit is comprised of one common share and one share purchase warrant of the Corporation. Each warrant entitles the holder to acquire an additional common share at a price of \$0.05 per common share for up to twelve months from the date of issuance. If the volume weighted average trading price of the common shares is greater than \$0.14 for 20 consecutive business days prior the warrant expiry date, the warrant expiry date may be accelerated, in the Corporation's sole discretion, to 30 business days from the date acceleration event.

On March 6, 2016 5,690,000 warrants were exercised for \$0.05 each for gross proceeds of \$284,500.

On October 28, 2016 the Corporation completed the third tranche of an 18,800,000 unit offering by issuing 4,366,000 units at \$0.05 per unit for gross proceeds of \$218,300. Each unit is comprised of one common share and one share purchase warrant of the Corporation. Each warrant entitles the holder to acquire an additional common share at a price of \$0.05 per common share for up to twelve months from the date of issuance. If the volume weighted average trading price of the common shares is greater than \$0.14 for 20 consecutive business days prior the warrant expiry date, the warrant expiry date may be accelerated, in the Corporation's sole discretion, to 30 business days from the date acceleration event.

On November 7, 2016 in connection with the units issued on October 28, 2016 1,026,000 warrants were exercised to purchase one common share for \$0.05 each for gross proceeds of \$51,300.

Options

A summary of the Corporation's outstanding stock options as at December 31, 2016 and December 31, 2015, and the changes for the periods then ended, is as follows:

	Number of options	Weighted average exercise price
Balance, October 1, 2015	5,375,000	0.12
Granted	-	-
Forfeited or expired	-	-
Balance, December 31, 2015	5,375,000	0.08
Granted	-	-
Forfeited or expired	(300,000)	(0.10)
Balance, September 30, 2016	5,075,000	0.08
Granted	-	-
Forfeited or expired	550,000	(0.10)
Balance, December 31, 2016	4,525,000	0.08

On October 3, 2016, 550,000 options with an exercise price of \$0.10 expired.

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Notes to the Condensed Consolidated Interim Financial Statements As at and for the three months ended December 31, 2016 and 2015

On March 23, 2015, the Corporation granted stock options to officers and directors of the Corporation for the purchase of 2,800,000 common shares at an exercise price of \$0.05 per common share with an expiry date five years from the date of grant. The options vested immediately.

During the year ended September 30, 2015, the stock-based compensation expense of \$92,400 was calculated based on the fair value of the stock options on the date of grant using the Black-Scholes option pricing model. The assumptions applied by the Corporation in this calculation for the fair value of the options at the date of grant were: a) dividend yield 0%, b) volatility 186.19%, c) risk-free rate 0.72%, d) forfeiture rate of 0%, e) expected life of 5 years.

Warrants

A summary of the Corporation's share purchase warrants as at December 31, 2016 and December 31, 2015, and the changes for the periods then ended, is as follows:

	Number of Warrants	Amount
Balance, October 1, 2015	14,434,000	144,340
Granted (expired)	-	-
Balance, December 31, 2015	14,434,000	144,340
Exercised	(5,690,000)	(56,900)
Expired	(8,744,000)	(87,440)
Balance, September 30, 2016	-	-
Exercised	(1,026,000)	(102,600)
Granted (expired)	4,366,000	436,600
Balance, December 31, 2016	3,340,000	33,400

5. Related Party Transactions and Balances

For the three months ended December 31, 2016, the Corporation incurred consulting fees of \$15,000 (2015-\$nil) with companies controlled by the President.

For the three months ended December 31, 2016, the Corporation incurred consulting fees of \$25,000 (2015-\$nil) with companies controlled by a Director of the Company.

As at December 31, 2016, included in accounts receivable is \$45,535 (2015 - \$nil) related to advances made to SETA Group, a company controlled by a Director of the Corporation.

Key management compensation

6. Financial Instruments

The carrying values of the financial assets and liabilities included in the statement of financial position are as follows:

	December 31, 2016	September 30, 2016
Financial Assets	\$	\$
Held for trading financial assets:		
Cash	380,249	583,457
Accounts receivable	778,641	649,265
Financial Liabilities		
Other financial liabilities:		
Accounts payable and accrued liabilities	1,020,867	958,877
Loans and borrowings	13,000	13,000

SPARTA CAPITAL LTD.

Notes to the Condensed Consolidated Interim Financial Statements As at and for the three months ended December 31, 2016 and 2015

The carrying value of cash, accounts receivable, accounts payable and accrued liabilities approximate their fair value due to the relatively short period to maturity of the instruments. The carrying amount of loans and borrowings approximate fair value, as the interest rates are consistent with the current market rates.

7. 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, 2016 shareholders' equity was \$241,679 (September 30, 2016 – \$281,050) and loans and borrowings were at \$13,000 (September 30, 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 deficiency 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.

8. Financial Risk Management

Fair Value

The carrying value of cash, accounts receivable, accounts payable and accrued liabilities approximate their fair value due to the relatively short period to maturity of the instruments. The carrying amount of loans and borrowings approximate fair value as the interest rates are consistent with the current market rates.

Level 1 Fair Value Measurements are based on unadjusted quoted market prices. Cash is measured based on this approach.

Level 2 Fair Value Measurements are based on valuation models and techniques where the significant inputs are derived from quoted indices. The Corporation currently has no items recorded under this approach.

Level 3 Fair Value Measurements are based on unobservable information. The Corporation currently has no items recorded under this approach.

The Corporation's policy is to recognize transfers between fair value hierarchy levels as of the date of the event or change in circumstances which caused the transfer. There were no transfers in or out of any levels fair value hierarchy during the year ended December 31, 2016.

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 counter-party to a financial instrument fails to meet its contractual obligations, and arises principally from the Corporation's trade receivables.

SPARTA CAPITAL LTD.

Notes to the Condensed Consolidated Interim Financial Statements As at and for the three months ended December 31, 2016 and 2015

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, 2016 of \$380,249 (2015 – \$70,905) and a working capital of \$227,925 (2015 – \$169,998 deficiency).

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.

9. Commitments

On March 26, 2015 the Corporation entered into an exclusive ten-year agent and licensing agreement with SuperNova Performance Technologies Ltd. ("SuperNova") for their TreeFrog Transport Optimization™ systems. The exclusive agreement is such that SuperNova retains all of the intellectual property rights in connection with the product and will share the gross revenues on a pay for performance shared savings model with Sparta. The Corporation agreed to pay a \$1,000,000 licensing fee to Supernova out of future sales.

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 and office space including occupancy costs which require future annual payments of:

	Office	Equipment	Total
2017	\$ 5,000	\$ 288,000	\$ 293,000
2018		288,000	288,000
2019		216,000	216,000
	\$ 5,000	\$ 792,000	\$ 821,000

SPARTA CAPITAL LTD.

Notes to the Condensed Consolidated Interim Financial Statements As at and for the three months ended December 31, 2016 and 2015

10. Loss per Share

Basic and diluted loss per share have been calculated based on the net loss divided by the weighted average number of common shares outstanding for the three months ended December 31, 2016 and 2015. The weighted average number of common shares basic and diluted is as follows.

As at December 31	<u>2016</u>	<u>2015</u>
Weighted average common shares	150,046,140	138,964,140
Effect of stock options and warrants	-	-
Balance, year end	<u>150,046,140</u>	<u>138,964,140</u>