

SPARTA CAPITAL LTD.

Calgary, Alberta

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and six month periods ended March 31, 2016

NOTICE: The accompanying unaudited interim condensed consolidated financial statements and notes thereto for the three and six months ended March 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,	March 31, 2016 \$	September 30, 2015 \$
Assets		
Current assets		
Cash	166,760	196,381
Accounts receivable	84,199	36,364
Inventories	616	-
Prepaid expenses and deposits	57,547	10,857
	<u>309,122</u>	<u>243,602</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	489,009	302,484
Loans and borrowings	13,000	13,000
	<u>502,009</u>	<u>315,484</u>
Shareholders' deficiency		
Share capital (note 4)	7,023,387	6,612,247
Share subscription receivable	-	(27,500)
Warrants	17,700	144,340
Contributed surplus	612,741	612,741
Deficit	(7,846,715)	(7,413,710)
Total equity attributed to equity holders of the Company	<u>(97,846)</u>	<u>(10,843)</u>
Equity attributed to non-controlling interest	<u>(95,041)</u>	<u>(61,039)</u>
	<u>309,122</u>	<u>243,602</u>

Going concern (note 1)

Approved on behalf of the Board:

Signed: "Tom Brown"

Tom Brown, Director

Signed: "John O'Bireck"

John O'Bireck, Director

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

	Three months ended March 31,		Six months end March 31,	
	2016	2015	2016	2015
Sales				
Sales	\$ 61,294	\$ -	\$ 84,008	\$ -
Cost of sales	24,936	-	37,588	-
Gross margin	36,358	-	46,420	-
Expenses				
Consulting fees	296,000	29,000	314,000	38,000
Insurance	5,028	-	8,875	-
Interest and bank charges	1,580	3,369	1,912	5,120
Licenses and fees	3,521	6,251	14,319	11,233
Office and supplies	663	398	1,303	2,568
Professional fees	3,350	22,593	9,600	40,483
Advertising and promotion	15,546	-	27,169	-
Stock based compensation	-	92,400	-	92,400
Marketing	37,951	-	54,431	-
Salaries and benefits	-	-	47,339	-
Travel	108	6,726	477	6,726
	363,747	160,737	479,425	196,530
Net loss and comprehensive loss for the period	(327,389)	(160,737)	(433,105)	(196,530)
Loss and comprehensive loss per share (note 4(d))				
Basic and diluted	\$ (0.002)	\$ (0.001)	\$ (0.002)	\$ (0.002)

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 \$	Deficit \$	Total \$	Non- controlling interest \$	Total \$
Balance, October 1, 2015	138,964,140	6,612,247	612,741	144,340	(27,500)	(7,413,710)	(71,882)	(61,039)	(10,843)
Subscriptions received	-	-	-	-	7,500	-	7,500	-	7,500
Loss for period	-	-	-	-	-	(105,616)	(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)	(169,998)	(90,221)	(79,777)
Warrants exercised	5,690,000	341,400	-	(56,900)	-	-	284,500	-	284,500
Warrants expired (note 4)	-	69,740	-	(69,740)	-	-	-	-	-
Subscriptions received	-	-	-	-	20,000	-	20,000	-	20,000
Loss for period	-	-	-	-	-	(327,389)	(327,389)	(4,820)	(322,569)
Balance, March 31, 2016	144,654,140	7,023,387	612,741	17,700	-	(7,846,715)	(192,887)	(95,041)	(97,846)
Balance, October 1, 2014	62,530,140	6,043,542	520,341	-	-	(6,911,226)	(347,343)	-	(347,343)
Issue on acquisition of Newport Environmental Technologies Ltd.	62,000,000	2,002	-	-	-	-	2,002	-	2,002
Warrants expired (note 4)	-	-	-	-	-	-	-	-	-
Loss for period	-	-	-	-	-	(35,793)	(35,793)	-	(35,793)
Balance, December 31, 2014	124,530,140	6,045,544	520,341	-	-	(6,947,019)	(381,134)	-	(381,134)
First tranche private placement	12,664,000	506,560	-	126,640	(210,000)	-	423,200	-	423,200
Share issue cost	-	(10,656)	-	-	-	-	(10,656)	-	(10,656)
Loss for period	-	-	-	-	-	(160,737)	(160,737)	-	(160,737)
Stock option issuance	-	-	92,400	-	-	-	92,400	-	92,400
Balance, March 31, 2015	137,194,140	6,541,448	612,741	126,640	(210,000)	7,107,756	(36,927)	-	(36,927)

See accompanying notes to the consolidated financial statements.

Sparta Capital Inc.
Statement of Cash Flows

	Three months ended March 31,		Six months ended March 31,	
	2016	2015	2016	2015
Cash provided by (used in):				
Operations:				
Net loss from operations	\$ (327,389)	\$ (160,737)	\$ (196,530)	\$ (196,530)
Items not involving cash:				
Stock based compensation	-	92,400	-	92,400
Depreciation	-	-	-	-
	(327,389)	(68,337)	(433,105)	(104,130)
Change in non-cash working capital	118,744	(14,804)	91,484	(1,115)
Cash flows used in operations	(208,645)	(83,141)	(341,621)	(105,245)
Investing:				
Cash acquired in purchase of Newport Environmental	-	-	-	309,239
Cash flows from investing	-	-	-	309,239
Financing:				
Proceeds from share issuance/warrants	304,500	633,200	312,000	633,200
Share issuance costs	-	(10,656)	-	(10,656)
Share issuance receivable	-	(210,000)	-	(210,000)
Proceeds from demand loans				27,500
Cash flows from financing	304,500	412,544	312,000	440,044
Increase (decrease) in cash	95,855	329,403	(29,621)	644,038
Cash, beginning of period	70,905	314,635	196,381	-
Cash, end of period	\$ 166,760	\$ 644,038	\$ 166,760	\$ 644,038

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 and six months ended March 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-traded 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 designed to achieve reduced emissions and increased operating efficiency of carbon fuel powered equipment.

Over the past year, the Corporation expanded its offering into four distinct environmentally centred market verticals; transportation, mining, construction and energy (through biomass conversion). This has been accomplished through the formation of majority controlled corporations and/or exclusive licensing agreements.

During the year, the Corporation announced the formation of a number of new subsidiaries:

Illumineris Inc. ("Illumineris") is focused on meeting an important niche in the construction industry. With that goal, Illumineris entered into a distribution agreement with Jessup Manufacturing of McHenry IL. Jessup Manufacturing manufactures products that illuminate important safety routes without the use of electricity through a specialized photoluminescent technology that reduces the consumption of carbon-based electricity.

ReECO Tech Conversion Technologies Ltd. is a biomass subsidiary with a focus on helping develop environmentally sustainable economies by converting biomass waste into consumables for markets such as waste-to-energy products.

Sparta Technologies 4 Mining Ltd. is a mining subsidiary with a focus on the development of an emission free underground vehicle propulsion system. This mining division is looking to expand its offering to include a number of above ground vocational vehicle platforms.

The Corporation signed a licensing agreement with SuperNova Performance Technologies Ltd. for sales of their unique TreeFrog Transport Optimization™ systems. The systems offer carbon-reducing technologies for the transportation sector.

Going concern

These 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 March 31, 2016 the Corporation had a working capital deficiency of \$192,887. 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.

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

SPARTA CAPITAL LTD.

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

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, 2015 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, 2015.

These condensed consolidated interim financial statements were authorized for issuance by the Corporation's Board of Directors on May 30, 2016.

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 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 and six months ended March 31, 2016 and 2015

The subsidiaries of the Company and their principal activities as at March 31, 2016 and September 30, 2015 were as follows:

Name of subsidiary	Ownership interest at September 30,		Principal activity
	2015	2014	
Newport Environmental Technologies Ltd.	100%	-	Inactive
Illumineris Inc.	51%	-	Product distribution
ReECO Tech Conversion Technologies Ltd.	100%	-	Product development and distribution
Sparta Technologies 4 Mining Ltd.	100%	-	Product development

Sparta owns 51% of Illumineris Inc., 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:

- a. 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 March 31, 2016.

On May 4, 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

SPARTA CAPITAL LTD.

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

accelerated, in the Corporation's sole discretion, to 30 business days from the acceleration event. These warrants expire on May 4, 2016.

On December 16, 2015 the Corporation announced that it intends to complete the third and final tranche of the 18,800,000 unit offering by issuing up to 4,366,000 units at \$0.05 per unit for gross proceeds of up to \$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 acceleration event. As of March 31, 2016 the third tranche had not yet closed.

Prior to March 6, 2016, 5,690,000 warrants were exercised at the strike price of \$0.05 per common share, yielding net proceeds of \$284,500. The balance of the 12,664,000 warrants expired on March 6, 2016.

Options

A summary of the Corporation's outstanding stock options as at March 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, 2014	3,225,000	0.12
Granted	-	-
Forfeited or expired	(400,000)	(0.16)
Balance, December 31, 2014	2,825,000	0.11
Granted	2,800,000	0.05
Forfeited or expired	(250,000)	(0.16)
Balance, September 30, 2015	5,375,000	0.12
Granted	-	-
Forfeited or expired	-	-
Balance, March 31, 2016	5,375,000	0.08

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. 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.

SPARTA CAPITAL LTD.

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

Warrants

A summary of the Corporation's share purchase warrants as at December 31, 2015 and December 31, 2014, and the changes for the periods then ended, is as follows:

	Number of Warrants	Amount
Balance, October 1, 2014	22,793,620	6,854
Granted (expired)	-	(6,854)
Balance, December 31, 2014	22,793,620	-
Granted	14,434,000	-
Expired	(22,793,620)	(6,854)
Balance, September 30, 2015	14,434,000	144,340
Granted (expired)	(6,974,000)	(69,740)
Exercised	(5,690,000)	(56,900)
Balance, March 31, 2016	1,770,000	17,700

5. Related Party Transactions and Balances

For the three months ended March 31, 2016, the Corporation incurred consulting fees of \$97,500 (2015-\$ nil) with companies controlled by the Chief Executive Officer.

For the three months ended March 31, 2016, the Corporation incurred consulting fees of \$10,000 (2015-\$ nil) with companies controlled by the Chief Financial Officer.

For the three months ended March 31, 2016, the Corporation incurred consulting fees of \$15,000 (2015-\$15,500) with companies controlled by the President.

For the three months ended March 31, 2016, the Corporation incurred consulting fees of \$25,000 (2015-\$13,500) with companies controlled by a Director of the Company.

Key management compensation

6. Loans and Borrowings

The loans and borrowing outstanding at October 2015 are unchanged at March 31, 2016. The outstanding loan bears interest at 12% per annum with monthly interest payments, is unsecured and payable on demand.

7. Financial Instruments

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

	March 31, 2016	September 30, 2015
Financial Assets	\$	\$
Held for trading financial assets:		
Cash	166,760	196,381
Accounts receivable	84,199	36,364
Financial Liabilities		
Other financial liabilities:		
Accounts payable and accrued liabilities	489,009	302,484
Loans and borrowings	13,000	13,000

SPARTA CAPITAL LTD.

Notes to the Condensed Consolidated Interim Financial Statements As at and for the three and six months ended March 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.

8. 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, 2016 shareholders' deficiency was \$192,887 (September 30, 2015 – \$71,882 deficiency) and loans and borrowings were at \$13,000 (September 30, 2015 - \$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.

9. 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.

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 2016 working capital requirements. The Corporation had a cash balance at March 31, 2016 of \$166,760 (September 30, 2015 – \$196,381).

At March 31, 2016 the Corporation had a working capital deficiency of \$192,887 (September 30, 2015 – \$71,882 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

a) Interest rate risk

The Corporation has fixed interest-bearing debt and therefore is not exposed to interest rate risk.

SPARTA CAPITAL LTD.

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

b) Foreign currency risk

The Corporation is currently not exposed to significant foreign currency risk since all of its assets and liabilities are denominated in Canadian dollars; however certain nonrecurring operating expenses are denominated in foreign currencies. The Corporation has maintained sufficient resources to make payment denominated in foreign currencies in a timely manner thereby limiting the exposure.

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 March 31, 2016 and 2015. The weighted average number of common shares basic and diluted is as follows.

As at March 31	2016	2015
Weighted average common shares	140,860,807	138,964,140
Effect of stock options and warrants	-	-
Balance, year end	<u>140,860,807</u>	<u>138,964,140</u>

For the three months ended March 31, 2016 the weighted average outstanding calculation excludes 5,375,000 options and 1,770,000 warrants for March 31, 2016 and 5,375,000 options and 12,664,000 warrants for March 31, 2015 that are anti-dilutive.