

SPARC AI Inc (formally EYEfi Technologies Inc)

Management's Discussion and Analysis

For the nine months ended September 30, 2025

DISCLAIMER FOR FORWARD-LOOKING INFORMATION

Certain statements in this Management Discussion and Analysis are forward-looking statements or information (collectively "forward-looking statements"). The Sparc Group is providing cautionary statements identifying important factors that could cause the Group's actual results to differ materially from those projected in these forward-looking statements. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as "may", "anticipates", "is expected to", "estimates", "intends", "plans", "projection", "could", "vision", "objective", "goals" and "outlook") are not historical facts and may be forward-looking and may involve estimates, assumptions and uncertainties which could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements. In making these forward-looking statements, the Sparc Group has assumed that the current market will continue and grow and that the risks listed below will not adversely impact the Sparc Group. These forward-looking statements include, among other things, statements relating to the ability of the Sparc Group to generate revenue; use of funds; intentions to further develop, market and promote its operations by expansion of its merchant base and industries served in Australia; strategy for customer retention, growth, service development, market position and financial results; the success of marketing and sales efforts of the Sparc Group; the Sparc Group's efforts to continuously update its software to meet business requirements; future sales plans and strategies; the economy and other future conditions; the timeline to further develop and market future enhancements; unanticipated cash needs and the possible need for additional financing and the adoption of governance policies, committees and practices.

By their nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, which contribute to the possibility that the predicted outcomes may not occur or may be delayed. The risks, uncertainties and other factors, many of which are beyond our control, that could influence actual results include, but are not limited to: a downturn in general economic conditions; the ability of the Sparc Group to continue to generate revenue adequate to fund its business plans and operations; the ability of the Sparc Group to expand its operations in Australia; competitive conditions in the industry which could prevent the Sparc Group from continuing to be profitable; competition from other payment process providers who are well established with the financial capacity to overwhelm the ability of the Sparc Group to operate in Australia, security risks; increasing costs of being a publicly traded company, the possibility that our services may become further regulated; the effectiveness and efficiency of advertising and promotional expenditures to generate market interest in the Company's products and services; the inability to list on a public market; volatility of the Group's share price following listing; liquidity and the inability to secure additional financing; the Sparc Group's intention not to pay dividends in the near future; claims, lawsuits and other legal proceedings and challenges; conflict of interest with directors and management and other factors beyond the Company's control.

These forward-looking statements reflect management's current views and are based on certain assumptions, except as required by applicable law, the Sparc Group undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for management to predict all such factors and to assess in advance the impact of each such factor on the Sparc Group's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement. See "Risk Factors and Risk Management".

Overview

The following Management's Discussion and Analysis ("MD&A") provides additional analysis of the operations, financial position and financial performance of SPARC AI Inc ("Sparc") as a Consolidated Entity with its wholly-owned subsidiary, SPARC AI Pty Ltd ("SPARC AI") for the nine months ended September 30, 2025, ("Sparc Group" or "Consolidated Entity") and is dated November 28, 2025. The MD&A is presented in Canadian Dollars, which is the Sparc Group's functional and presentation currency. It is supplementary information and should be read in conjunction with the Sparc Group's consolidated financial statements and accompanying notes for the year ended December 31, 2024 and 2023.

This MD&A is the responsibility of the management. The Board of Directors carries out its responsibility for the review of this disclosure principally through its audit committee which is comprised of a majority of independent directors. The audit committee reviews and, prior to its publication and pursuant to the authority delegated to it by the Board of Directors, approves this disclosure.

SPARC AI Inc (formally EYefi Technologies Inc) was incorporated on October 4, 2018, under the laws of the Province of British Columbia, Canada by a Certificate of Incorporation issued pursuant to the provisions of the Business Corporations Act (British Columbia). Its head office is located at level 8, 90 Collins Street, Melbourne 3000 Australia. Its registered office is located at C/O - 390 - 825 Homer Street, Vancouver BC, V6B 2W2 Canada.

Business of the Company

The Company is a software and electronics engineering company that has developed, patented and commercialized an innovative spatial, predictive, approximation and radial convolution technology called SPARC AI and associated product suite that turns any drone, sensor, camera or smartphone device (fixed, mobile, airborne, portable or handheld) into a target co-ordinate acquisition system. SPARC AI is currently being further developed to allow a wider commercial application.

The following is a summary of selected financial information for the SPARC AI over the past three financial years ended December 31 extracted from the audited financial statements of the Sparc.

	2024	2023	2022
	\$	\$	\$
Total Sales from Rendered Services	-	\$201,203	\$458,621
Gross Profit	-	\$66,420	\$39,077
Administration Expense	\$139,394	\$218,876	\$504,822
Income (loss) after tax	(\$315,969)	\$2,967,135	(\$1,094,267)

Overall Performance during the nine months ended September 30, 2025

During the nine months ending September 30, 2025, the following developments were made by the Company.

During this period, it has advanced its software modules and capabilities while engaging an engineering firm to address certain technical gaps and a consultancy firm to provide specialized testing and evaluation services.

The Company hired an engineering firm in December 2023, a non-related party, to work alongside SPARC AI team to undertake some of the technical development work and technical integration including the development of the mobile application, some integration work for the drone and integration into microchip processor. All IP developed by the engineering firm was transferred to SPARC AI. There were no termination clause and all hardware including the drone was supplied by SPARC AI. Cost of the engagement was CAD \$110,000 (AUD\$120,000). A payment of \$45,000 was made on December 16,

2025 and a payment a payment of \$6,750 was made on 16 February 2025, \$37,890 payment on 1 March 2025 and \$6,750 payment on 28 March 2025. Total payment was \$125,280.

The Company signed an agreement on 5 January 2025 with Flight Deck Ventures Pty Ltd, a non-related party, with one month termination notice, a firm with a qualified commercial pilot license was hired to assist with testing of the SPARC AI algorithms, autonomous flight modules, and provide feedback on performance tests completed on the Parrot ANAFI drone in various environmental conditions. The flight data was used by SPARC AI in the development process to refine its algorithms and optimize accuracy. The fee was AUD\$150 per hour. Daily rate AUD\$1200. The total payment made to Flight Deck was CAD\$33,480 on April 23, 2025.

- Infrared camera integration (in progress, Apr 29, 2025)

Integration of IR cameras for precise target acquisition in low-visibility conditions. SPARC AI proprietary algorithms are not dependent on visual systems. The Company expects low risk in developing this capability and no material working capital required as the development will be completed internally.

Aside from previously disclosed information, no formal agreement was entered into regarding this activity. The Company's management supervised and administered the activity internally.

- Neural-network AI engine for object recognition and behavior interpretation (in progress, Apr 29, 2025)

Using AI, the Company plans to use data captured by the drone for identifying objects, tracking activity, interprets behavior automatically from video and signals. The Company expects low risk in developing this capability and no material working capital required as the development will be completed internally.

Aside from previously disclosed information, no formal agreement was entered into regarding this activity. The Company's management supervised and administered the activity internally.

- software supporting rapid logging of multiple target coordinates (in progress, Apr 29, 2025)

The Company expects low risk in developing this capability and no material working capital required as the development will be completed internally.

Aside from previously disclosed information, no formal agreement was entered into regarding this activity. The Company's management supervised and administered the activity internally.

- Embedded microcontroller version for Nvidia, Qualcomm, STMicro systems (In progress, May 21, 2025)

SPARC AI plans to integrate its software into microcontrollers from Nvidia, Qualcomm, and STMicroelectronics. The Company has experience with integration of its software with Google's Coral microprocessor chip and the Parrot ANAFI military drone.

No direct partnerships or agreements are required for integration as these companies provide public free and open access for developers to integrate and build value-added solutions onto of their hardware components. This includes access to sample code, documentation and support.

<https://developer.nvidia.com/sdk-manager>
<https://www.st.com/en/development-tools/stm32-software-development-tools/documentation.html>

https://docs.qualcomm.com/bundle/publicresource/topics/80-65220-2/introduction_1.html

The Company expects low risk in developing this capability and no material working capital required as the development will be completed internally.

Aside from previously disclosed information, no formal agreement was entered into regarding this activity. The Company's management supervised and administered the activity internally.

- Autonomous "return to home" capability without GPS or controller, designed for use in GPS-denied environments. (In progress May 21, 2025)

Most of this feature is built. The Company expects low risk in completing this capability and no material working capital required as the development will be completed internally.

Aside from previously disclosed information, no formal agreement was entered into regarding this activity. The Company's management supervised and administered the activity internally.

- Drone Development Platform (In progress, July 22, 2025)

Company is working on a software platform to enable users to design, build, optimize, and budget drones configurations using a web-based software platform. The platform has pre-configured engineered templates for drone configuration and design. It has SPARC AI's Target Acquisition System allowing companies to add the capability to their drone missions. The platform has been designed to allow the Company to expand its market to the commercial and consumer market. The platform requires testing before launch. Company has prioritized its activities for the defense sector and will return its focus on this product in due course.

Aside from previously disclosed information, no formal agreement was entered into regarding this activity. The Company's management supervised and administered the activity internally.

- Target Intelligence Platform development (July to September 2025)

The Company has been working on the development of a software-based platform that integrates its Target Acquisition System and Navigation Platform. The web-based system will provide the intelligence layer for analyzing target recordings, building mission planning navigation, and API tools. The new intelligent platform will also consider flight data to optimize the target acquisition system software in the next upgrade. As of June 30, 2025, the product was in development but progressing towards launch in the second half of 2025.

Aside from previously disclosed information, no formal agreement was entered into regarding this activity. The Company's management supervised and administered the activity internally. The Company may require up to \$100,000 in additional funding to complete the final features of this platform.

Once this platform is built, additional modules and functionality can be added. Management is working closely with its strategic advisors with extensive defense experience to build capability and features in the product that is relevant for the defense industry.

- New Website Launch (July to September 2025)

Management is building a new website with improved branding, layout and content to better communicate its products to prospective customers.

- Platform Upgrade (July to September 2025)

In the September quarter, management spent significant time and effort on upgrading the platform for both core products including - Target Acquisition System and Autonomous Navigation. A web platform, was developed, launched in October as 'Overwatch' to act as a central platform for managing SPARC AI products including configuration, setup, data analytics, flight mission planning, and target analysis. By creating Overwatch, the Company was able to extend the capability of both products by adding several new features. It also integrated both products in a centralized way that led to new capabilities. For instance, the user can record the geolocation of a target and then use this data to build a flight path for the drone. As Overwatch is a centralized platform it is also possible to share target acquisition data between devices such as drones and mobile devices.

- Mobile Navigation (July to September 2025)

In the September quarter, management started working on R&D activity for integration of SPARC AI onto the mobile device for both targeting acquisition and navigation. The navigation is a technical challenge as mobile devices typically do not have an Initial Navigation Unit (INU). They do have an Initial Measuring Unit (IMU) that is used to measure direction and acceleration of the device. Unfortunately given the low cost of the device, the IMU is of very basic technical standard and is not suitable for navigation as it leads to drift and errors. Management have embarked on technical development of customizing SPARC AI algorithms to operate on low-cost devices such as mobile devices. There is a high risk of failure with this capability will not be developed. For target acquisition on the mobile, the risk is lower as we rely less on the IMU and more emphasis on long range terrain data.

Other activities:

Strategic advisor appointments of Adam Worsley (Jan 2025) and Greg Daly (Apr 2025), unrelated parties, having served in the Australian defence force and industry connections:

Mr Worsley received 150,000 options with exercise price of \$0.25, expires on January 29, 2027. Vesting condition requires Mr Worsley to secure a minimum of one contract of sale.

Mr Daly received 150,000 options with exercise price of \$0.31, expires on March 28, 2027. Vesting condition requires Mr Daly to secure a minimum of one contract of sale.

September 18, 2025 the Company granted incentive stock options to consultants to purchase 200,000 common shares at an exercise price of \$0.27 per share exercisable for a period of 12 months expiring September 16, 2026:

George Tsafalas an individual residing in Vancouver, BC received 75,000 options. A consultancy agreement with Mr Tsafalas was signed to provide introductions to investors and individuals in the defense and security markets.

Ron Shenton an individual residing in Vancouver, BC received 125,000 options. A consultancy agreement with Mr Shenton was signed to provide introductions to investors and individuals in the defense and security markets.

- Defense proposal submission to a Western army (Feb 27, 2025)

Company made a submission to a Western army for a paid demonstration of its product at a pre-planned defence event.

- Featured in the Parrot Solution Partner Website (Mar 18, 2025)

SPARC AI was invited to participate and featured on Parrot's Solution Partner website; <https://www.parrot.com/us/visual-detection-tracking>. The Parrot partner program is designed to showcase integrations of 3rd party solutions for the ANAFI drone.

- Participation in Avalon Airshow 2025 (Announced Mar 18, 2025)

Management attended the Avalon Australian International Airshow, from 25-30 March 2025. The event had delegates from defence from Australia, United States and Europe. Management used this opportunity to network and conduct business development activities with defense personnel, defense contractors and industry leaders.

- Shortlisted for AAUS Innovation Award (May 2025)

Company was shortlisted for the AAUS Innovation Award, recognizing its contributions to Australia's uncrewed systems and advanced air mobility sectors. This award honors organizations excelling in creativity, technical expertise, and impact across air, land, and sea domains.

Private Placement

On January 30, 2025, the Company completed a non-brokered private placement offering of 1,505,000 units ("Units") at \$0.20 per Unit for gross proceeds of \$301,000 (the "Offering"). Each Unit consists of one common share ("Common Share") of the Company and one common share purchase warrant ("Warrant"), with each Warrant entitling the holder thereof, to purchase one additional Common Share of the Company at a price of \$0.30 for a period of twelve (12) months. All securities issued under the Offering are subject to a four-month and one day statutory hold period. There were \$4,800 finder's fee and 24,000 broker warrants issued for this transaction. Net proceeds of \$296,200.

Use of Funds:

Activity	Budget	Actual	Difference
Working Capital	\$200,000	\$108,018	\$(91,982)
R&D	\$50,000	\$50,000	-
Sales & Marketing	\$46,200	\$	\$(46,200)
Loan Repayment		\$64,918	-
	\$296,200	\$222,936	\$(138,182)

The Company has not spent money on sales and marketing yet as it decided to add further capability to its product offering.

On July 28, 2025, the Company completed a non-brokered private placement offering of 1,333,334 units ("Units") at \$0.15 per Unit for gross proceeds of \$301,000 (the "Offering"). Each Unit consists of one common share ("Common Share") of the Company and one common share purchase warrant ("Warrant"), with each Warrant entitling the holder thereof, to purchase one additional Common Share of the Company at a price of \$0.15 for a period of twelve (12) months. All securities issued under the Offering are subject to a four-month and one day statutory hold period. There were \$8,000 finder's fee and 53,333 broker warrants issued for this transaction. Net proceeds of \$192,000.

Use of Proceeds:

Activity	Budget	Actual	Difference
Working Capital	\$100,000	\$25,000	\$(75,000)
Sales & Marketing	\$92,000	-	\$(92,000)
Total	\$192,000	\$25,000	\$(167,000)

The net loss for the nine months ended September 30, 2025 for the group was \$448,270. Of this, \$111,326 related to R&D expenditure, and \$180,591 related to a share-based payment expense relating to the value of the warrants issued.

On September 16, 2025, the Company announced non-brokered private placement of up to 1,428,570 units (each, a "Unit"), at a price of \$0.21 per Unit, for gross proceeds of up to \$300,000. Subject to compliance with applicable regulatory requirements and in accordance with National Instrument 45-106 – Prospectus Exemptions ("NI 45-106"), 952,380 Units in the Offering will be made available to purchasers resident in Canada, except Quebec, pursuant to the listed issuer financing exemption under Part 5A of NI- 45-106 (the "Listed Issuer Financing Exemption"), with the balance of 476,190 Units made available to purchasers resident in all eligible jurisdictions pursuant to the accredited investor exemption (the "Accredited Investor Exemption") under Section 2.3 of NI 45-106. The securities offered under the Listed Issuer Financing Exemption will not be subject to a hold period in accordance with applicable Canadian securities laws. The securities offered under the Accredited Investor Exemption will be subject to a hold period for four months-and-one-day after the closing date of the Offering.

Each Unit will consist of one common share of the Company and one common share purchase warrant (each, a "Warrant"). Each Warrant will entitle the holder to purchase one common share of the Company at a price of \$0.28 at any time on or before that date which is thirty-six months after the closing date of the Offering. If the closing price of the common shares of the Company on the Canadian Securities Exchange exceeds \$1.00 for a period of ten consecutive trading days, the Company may elect to accelerate the expiry date of the Warrants.

On September 22, 2025, The Company increased the non-brokered private placement (the "Offering") by 10% due to interest from investors to 1,571,428 units (each, a "Unit"), at a price of \$0.21 per Unit, for gross proceeds of up to \$330,000.

Subject to compliance with applicable regulatory requirements and in accordance with National Instrument 45-106 – Prospectus Exemptions ("NI 45-106"), 1,047 619 Units in the Offering will be made available to purchasers resident in Canada, except Quebec, pursuant to the listed issuer financing exemption under Part 5A of NI- 45-106 (the "Listed Issuer Financing Exemption"), with the balance of 523,809 Units made available to purchasers resident in all eligible jurisdictions pursuant to the accredited investor exemption (the "Accredited Investor Exemption") under Section 2.3 of NI 45-106. The securities offered under the Listed Issuer Financing Exemption will not be subject to a hold period in accordance with applicable Canadian securities laws. The securities offered under the Accredited Investor Exemption will be subject to a hold period for four months-and-one-day after the closing date of the Offering.

Each Unit will consist of one common share of the Company and one common share purchase warrant (each, a "Warrant"). Each Warrant will entitle the holder to purchase one common share of the Company

at a price of \$0.28 at any time on or before that date which is thirty-six months after the closing date of the Offering. If the closing price of the common shares of the Company on the Canadian Securities Exchange exceeds \$1.00 for a period of ten consecutive trading days, the Company may elect to accelerate the expiry date of the Warrants.

The placement closed on October 6, 2025.

The Company has cash at bank of \$292,720 as at September 30, 2025.

Intellectual Property

SPARC AI's International Patents

SPARC AI has registered patents in USA, Canada, China, Japan, South Korea, Australia and New Zealand. SPARC AI has also established large global resellers for its products.

All listed patents pertain to the processes and methodologies underlying SPARC AI technology. Over time, the Company has developed an extensive portfolio of proprietary algorithms, processes, and expertise that exceeds the capabilities disclosed in the patents. The Company has chosen not to publish these developments as new patents, believing that maintaining them as trade secrets offers greater value than publication, which could increase the risk of reverse engineering or other forms of intellectual property compromise.

PATENT NUMBER	COUNTRY	ASSIGNEE	TITLE	FILING/EXP DATE	STATUS
9,058,689	USA	SPARC AI INC	SPATIAL PREDICTIVE APPROXIMATION AND RADIAL CONVOLUTION	16 June 2009/ 16 June 2029	Granted on 16 June 2015
2,727,687	Canada	SPARC AI INC	SPATIAL PREDICTIVE APPROXIMATION AND RADIAL CONVOLUTION	16 June 2009/ 16 June 2029	Granted on 14 November 2017
ZL 20098013199.4	China	SPARC AI INC	SPATIAL PREDICTIVE APPROXIMATION AND RADIAL CONVOLUTION	16 June 2009/ 16 June 2029	Granted on 25 December 2013
5575758	Japan	SPARC AI INC	SPATIAL PREDICTIVE APPROXIMATION AND RADIAL CONVOLUTION	16 June 2009/ 16 June 2029	Granted on 11 July 2014
10-1663669	South Korea	SPARC AI INC	SPATIAL PREDICTIVE APPROXIMATION AND RADIAL CONVOLUTION	16 June 2009/ 16 June 2029	Granted on 30 September 2016
2009260182	Australia	SPARC AI INC	SPATIAL PREDICTIVE APPROXIMATION AND RADIAL CONVOLUTION	16 June 2009/ 16 June 2029	Granted on 10 March 2016

590428	New Zealand	SPARC AI INC	SPATIAL PREDICTIVE APPROXIMATION AND RADIAL CONVOLUTION	16 June 2009/ 16 June 2029	Granted on 4 March 2014
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Results of Operations

The consolidated entity made an operating loss of \$448,270 for the nine months ended September 30, 2025.

The operating result for the nine months ended September 30, 2025 is as follows:

	Quarter ended Sept 30,			Nine Months Ended		
	2025	2024	Variance	2025	2024	Variance
Revenue	0		0	36,522	0	36,522
Cost of Sales	0		0		0	0
Gross profit	0	0	0	36,522	0	36,522
Expenses						
Admin	(20,843)	(39,617)	18,774	(136,252)	(85,006)	(51,246)
Depreciation and Amort	(3,335)	(4,088)	753	(9,898)	(6,800)	(3,098)
Listing expenses	(5,697)	(3,887)	(1,810)	(23,249)	(21,509)	(1,740)
R&D Expenses	(69,088)	(29,170)	(39,918)	(111,326)	(65,931)	(45,395)
Finders fee	(12,800)		(12,800)	(12,800)		(12,800)
Investor relations	0		0	(3,675)		(3,675)
Travel - International	903		903	(7,001)		(7,001)
Share based payments	(140,322)		(140,322)	(180,591)		(180,591)
Other Comprehensive income (expense)	0	2,614	(2,614)		2,614	(2,614)
Total Expenses	(251,182)	(74,148)	(177,034)	(484,792)	(176,632)	(308,160)
Operating Profit or loss before tax	(251,182)	(74,148)	(177,034)	(448,270)	(176,632)	(271,638)

The focus of the operations for the nine months was on commercialization activities, R&D and product development.

Discussion of Operations

Nine months ended September 30, 2025

The company had revenue of \$36,522 for the nine months ended September 30, 2025. This was non operational revenue and consisted of a payment by the Australian Tax Office for a research and development claim. At this stage of its development, the company has not made any sales of its products and is still in the development phase of its offering.

Expenses.

The total expenses for the nine months ended September 30, 2025 were \$484,792, compared with \$176,632 for the period ending September 30, 2024, an increase of \$308,160. There are three main areas to consider in evaluating the increase:

Admin Expenses.

	FY 2025	FY 2024	Variance
Consulting and accounting	86,891	27,879	59,012
Legal	10,054	4,563	5,491
Office	1,344	573	771
OTC Listing	35,827	41,966	(6,139)
Tax fees	1,986	0	1,986
Trust fees	150	0	150
Communications		10,025	(10,025)
Total	136,252	85,006	51,246

For the 2025 period, admin expenses were \$136,253 compared with \$85,006 for the same period in 2024, an increase of \$51,246. The Company incurred \$86,891 in consulting and accounting fees in the September 30, 2025 nine months, compared with \$27,879 in the prior half year. This increase was due to \$42,696 to the CFO and non-executive director (related parties) and \$15,545 paid to MNP for tax advice.

Legal expenses were also higher in 2025 at \$10,054 compared to \$4,563 in 2024. The OTC markets fee was lower in 2025 with no setup cost as incurred in 2024. In FY 2024, the Company incurred \$10,025 to Equity media for one time communication expenses.

R&D Expenses were \$111,326 compared to \$65,931 for the same period in 2024.

Travel – International

The company incurred \$7,001 in the September 30, 2025 nine months compared with zero in the prior year. The cost was incurred by management who traveled to overseas markets to seek the raising of capital for further development of the company and its IP.

Share based payments.

The company incurred \$180,591 in share-based payment costs for the September 30 2025 nine months compared to zero in the prior period. This reflects the value of the 2,915,667 warrants that were offered for subscribers in the January and July 2025 share placement together with 500,000 options issued to consultants during the nine months.

Quarter ended September 30, 2025

Expenses.

The expenses for the September 30, 2025 quarter totaled \$251,182 compared with \$74,148 for the September 30, 2024 quarter, an increase of \$177,034. There are 2 items worth noting.

R&D expenses for the September 30, 2025 quarter were \$69,088 and \$29,170 for the September 30, 2024 quarter, reflecting the expanding activity on product development.

As of September 30, 2025 the Company had received \$191,983.13 in funds from the non broker private placement announced on September 6 and 22, and did not close the financing until October 6, 2025.

Share based payments

Share based payments expenditure was \$140,322 for the September 2025 quarter compared with zero for September 30, 2024 quarter. This was in relation to the warrants issued in the July placements as well as 200,000 options to consultants issued in September 2025 as payment for services rendered.

Quarter ended	Qtr 30-Sep-25	Qtr 30-Jun-25	Qtr 31-Mar-25	Qtr 31-Dec-24	Qtr 30-Sep-24	Qtr 30-Jun-24	Qtr 31-Mar-24	Qtr 31-Dec-23
Profit (loss) from continuing operations attributable to owners of the parent	(251,182)	(69,453)	(127,635)	(137,255)	(74,148)	(42,181)	(60,303)	(262,697)
- per share	(0.017)	(0.005)	(0.010)	(0.011)	(0.006)	(0.003)	(0.005)	(0.014)
- diluted per share	(0.017)	(0.005)	(0.010)	(0.011)	(0.006)	(0.003)	(0.005)	(0.014)
Profit (loss) attributable to owners of the parent	(251,182)	(69,453)	(127,635)	(137,255)	(74,148)	(42,181)	(60,303)	(262,697)
- per share	(0.017)	(0.005)	(0.010)	(0.011)	(0.006)	(0.003)	(0.005)	(0.014)
- diluted per share	(0.017)	(0.005)	(0.010)	(0.011)	(0.006)	(0.003)	(0.005)	(0.014)
Total assets	342,941	149,010	186,387	67,005	78,576	104,866	70,046	156,599
Total non current financial liabilities	0	0	0	0	0	0	0	0
Distributions or dividends declared	0	0	0	0	0	0	0	0

The above table discloses the quarterly financial results for the last 8 quarters. The comments relating to relevant trends are as follows:

Admin expenses are currently averaging \$35,755 per quarter. The September 2025 quarter admin expenses was \$20,843.

R&D expenditure averages \$25,389 per quarter. The September 2025 R& expenses was \$69,088.

There have been 3 quarters when share based payments have been made. In December 2024, warrants valued at \$100,000 were issued as part of a loan agreement in March 2025, warrants valued at \$40,269 were issued as part of the placement in the month of January 2025, and in the September quarter there were \$140,322 warrants issued in relation to the July placement as well as options to consultants. This explains the higher losses for these three quarters.

Liquidity and Financial Position and Capital Resources

As at the date of this amended MD&A, the company has \$292,720 in cash. The company averages a spend of \$35,755 per quarter for admin expenses plus \$7,000 for listing expenses, giving a G&A total of \$42,755 per quarter. Current cash levels have a G&A cover of 7 quarters.

The company will also apply cash for further R&D on the IP as it further develops the offering. A significant part of the R&D development is being done by staff without any payment. Cash resources will be continued to be invested into the R&D, subject to budget constraints, and at least \$100,000 will be invested in the next 12 months into R&D. Each year, the Company can receive up to 43.5% of its R&D expenditure as a cash payment from the Australian Government.

The Company has access to \$200,000 in loans that it has yet to draw on. This facility needs to be considered when discussing the financial position.

On September 16 and September 22, the Company announced a non broker private placement to raise \$330,000. As of September 30, it had raised \$191,983.13.

On November 21, the Company announced a non broker private placement to raise up to \$1,000,000 at a price of \$0.70 c per unit. Each unit will consist of one common share and one purchase warrant. The warrant will allow the holder to acquire one common share for \$0.90 for a period of 12 months. The funds raised will be used for key commercialization initiatives, including establishing a dedicated sales presence in the United States, hiring business development personnel.

The Company is tightly managing its financial resources and has surplus capital to operate. It is conducting the majority of the R&D and product development internally by management to keep costs down.

To reach full defense readiness, we must continue investing in R&D and product development while we work through the long defense procurement cycle. Securing a defense contract requires sustained technical advancement, iterative testing, and continuous feature expansion to meet evolving mission requirements. Until that point, ongoing funding is essential to accelerate capability development and harden the system for operational use. Ongoing feedback from defense stakeholders and our advisors is continuously shaping our roadmap, adding valuable features and strengthening our product pipeline. Sustained funding is essential to keep advancing the technology, hardening the system for operational use, and positioning the company to secure major defense contracts once adoption begins.

Our development progress is directly tied to the availability of financing, and because future fundraising cannot be predicted with certainty, we have not set a long-term forward budget or product feature list. Instead, we operate within the resources we have at any given time and plan our work accordingly. Historically, the company has raised capital in smaller increments to stay tightly focused on the development cycle, incorporate feedback to development work, and iterate quickly.

Capital Structure

The Company has the following shares on issue:

	Shares	\$
Balance at December 31, 2024	13,044,316	2,374,588
Placement January, 2025	1,505,000	293,437
Exercise of Options May 29, 2025	260,000	37,331
Exercise of Options	100,000	16,645
Placement July, 2025	1,333,334	200,000
Balance at September 30, 2025	16,242,650	2,922,001

Options on issue

The Company has 500,000 options to purchase ordinary shares. A summary of the options on issue at September 30, 2025 are as follows:

Expiry Date	Exercise price	Remaining life (years)	Outstanding
29 January 2027	\$0.25	1.33	150,000
1 April 2027	\$0.31	1.50	150,000
18 September 2026	\$0.27	0.97	200,000

Warrants on issue

The Company has 3,336,667 warrants to purchase ordinary shares. A summary of the warrants on issue at September 30, 2025 are as follows:

Expiry Date	Exercise price	Remaining life (years)	Outstanding
31 August, 2026	\$0.26	0.90	400,000
31 January, 2026	\$0.31	0.33	1,550,000
29 July, 2027	\$0.15	0.82	1,386,667

Loan facility.

On August 16, 2024, the Company entered into a loan agreement with Polygon Fund Pty Ltd, controlled by Anoosh Manzoori, Chief Executive Officer and Accelerative Investments Pt Ltd., controlled by Justin Hanka, Director, for a facility of \$200,000 in total (\$100,000 each). There are 200,000 warrants issued to each party in connected with the loan. The expiry date of the warrants is August 16, 2026. During the period ended September 30, 2025 the facility balance was paid out and is now undrawn. The facility remains in place.

Transactions with related parties

The transactions with related parties were in the normal course of operations and were measured at their fair values.

During the nine months ending September 30, 2025, the following payments were made to related parties:

John Dinan for CFO Fees: \$24,868

Justin Hanka for consulting fees: \$18,010

Anoosh Manzoori loan repayment: \$64,918. No interest or fees were charges on the loan.

Anoosh Manzoori was paid consulting fees of \$69,088 for R&D activity

As advised above, in August 2024, pursuant to the loan agreement with Polygon Fund Pty Ltd, 200,000 and Accelerative Investments Pt Ltd. warrants were issued and no options during the period.

The following warrants were on issue to related parties at September 30, 2025:

Related party	Warrants	Value	Exercise Price	Expiry
Polygon Fund Pty Ltd	200,000	50,035	\$0.26	31 August, 2026
Polygon Fund Pty Ltd	666,667	\$25,732	\$0.15	28 July 2026
John Dinan	45,000	\$698	\$0.30	30 January 2026
Accelerative Investments Pty Ltd	200,000	50,035	\$0.26	31 August, 2026

Internal Controls

Disclosure controls and procedures

Management of SPARC AI Group is responsible for establishing and maintaining disclosure controls and procedures for the Company as defined under National Instrument 52-109 issued by the Canadian Securities Administrators.

Internal controls over financial reporting

Management of SPARC AI Group is responsible for designing internal controls over financial reporting for the Company as defined under National Instrument 52-109 issued by the Canadian Securities Administrators.

Events after the reporting period

No other matter or circumstance has arisen since September 30, 2025 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Risk Factors and Risk Management

Negative Cash Flows and Going Concern.

The Company has re positioned itself for growth with transfer of the assets to its balance sheet and is exploring distribution opportunities. At this stage of the Company's growth, cash flow is a risk and needs to be managed, which the directors are actively doing.

The Company's financial statements have been prepared on a going concern basis. The going concern basis of the presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize the carrying value of its assets and discharge its liabilities in the normal course of operations. As advised above, the Company incurred a loss for the nine months ended September 30, 2025 of \$197,088, and as of that date has an accumulated deficit of \$448,270. The cash flow from operations is a negative \$296,916. To date, the Company has funded operations through private placement and revenue from operations, the latest placement being in January 2025. The Company's ability to continue as a going concern is dependent upon its ability to achieve profitable operations in the future. These conditions indicate the existence of a material uncertainty that may cast significant doubt regarding the company's ability to continue as a going concern. The financial statements do not reflect adjustments that would be necessary if the going assumption was not appropriate. These adjustments could be material.

Risk Management

Any start-up or established business must continuously manage the risks by recognizing and mitigating the ambiguities and risks both in internal and external business environments that surround a company. The SPARC AI Group's management team manages risks proactively. Here are some of the risks that the Company faces:

Technology Risk

The SPARC AI Group is dependent upon network communication or internetworking for product connectivity. The network communication defines a set of protocols allowing application programs to talk to each other without regard to the hardware and operating systems where they are run. A disruption in the internetworking or the way the hardware is configured could have a serious impact on the SPARC AI technology performance.

Cybersecurity Risk

SPARC AI Group hosted on a public cloud application is subject to threats and attacks and data breaches that could affect for example delivery of service and supply lines. Security data is controlled by the cloud provider which could make it difficult to distinguish between everyday computing events and security events. The SPARC AI Group is also subject to attacks by ransomware and the encrypting of data and hardware attacks that could affect computer chips.

Competitive Risks

There are other well-established companies who could compete with SPARC AI Group providing services and products to the same kind of customers the SPARC AI Group Company is targeting.

Legal and Regulatory Risks

Some of the possible legal or regulatory issues are continuous reporting requirements by the Regulatory Authorities and Exchange, tax complications, user and privacy policy, customer complaints, etc. The SPARC AI Group has retained professional advisors with the requisite experience to deal with these matters and will consult with them to keep it informed of possible complications before they arise.

Integration & Platform Compatibility Risk

SPARC AI must run reliably on diverse third-party embedded hardware platforms with variable compute power, memory, and firmware environments. Because the technology must be integrated at the edge and operate without external sensors, differences in platform performance, timing characteristics, or hardware quality could affect accuracy or user experience. Integration difficulty may slow customer adoption.

Market Adoption & Competitive Risk

SPARC AI represents a new category of GPS-denied geolocation, which may require customers to rethink conventional workflows. Some users may be hesitant to adopt a novel navigation system that differs from common sensor-based methods.

Dependence on Third-Party Hardware Manufacturers

Even though SPARC AI is sensor-independent, it still relies on third-party hardware platforms (e.g., microcontrollers, autopilots, edge processors) for compute execution. Supply chain disruptions, component shortages, or changes in hardware product lines could affect the ability to deliver consistent integrations or delay customer deployments.

Funding & Resource Constraints

With a small team and limited capital, SPARC AI faces execution risk. Constraints on engineering resources, hiring, R&D velocity, and partner support could slow feature development, delay commercial milestones, or limit the company's ability to compete with better-funded organizations.

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Intellectual Property

The ability of the SPARC AI Group to maintain or increase sales will depend in part on its ability to maintain and grow its brand equity through the use of its registered domain names and intellectual property. A loss of any of these may result in the SPARC AI Group's brand equity being diminished and thus a loss of potential customers. As protection, the SPARC AI Group usually requires its employees and independent contractors to enter into confidentiality agreements, however, it cannot be assured that the obligations

therein will be maintained and honored. In spite of confidentiality agreements and other methods of protecting trade secrets, the SPARC AI Group's proprietary information could become known to or independently developed by competitors.

Economic and Geopolitical Conditions

Our financial condition and results of operations may be materially affected by economic downturns, inflation, interest rate fluctuations, geopolitical instability, trade tensions, or other macroeconomic factors. Unfavorable economic developments could reduce demand for our products or services and limit our ability to grow.

Industry-Specific Risks

Our industry is subject to rapid technological change, evolving regulatory environments, and shifts in consumer preferences. Failure to adapt to these changes in a timely and effective manner could adversely impact our competitive position and market share.

Competitive Landscape

We operate in a highly competitive market with several established and emerging players. Increased competition may lead to pricing pressure, reduced profit margins, and loss of customers or partners or lack of adoption of SPARC AI's technology.

Market Liquidity and Volatility

The trading price of our securities may be volatile and subject to fluctuations due to factors beyond our control, including investor sentiment, speculation, or changes in analyst recommendations. Limited liquidity could further exacerbate price volatility and impair investors' ability to sell their holdings at a desirable price.

Foreign Exchange and Interest Rate Risk

If we conduct business internationally, fluctuations in foreign currency exchange rates and interest rates may expose us to additional financial risk. Currency depreciation or volatility could impact revenue, costs, and profitability.

Regulatory Changes

Changes in laws, regulations, or government policy—domestically or abroad—could affect market dynamics, increase compliance costs, or limit our strategic initiatives.

Regulatory & Dual-Use Compliance Risk

Even without cameras or sensors, autonomous geolocation and targeting technologies may fall under evolving regulations related to airspace autonomy, navigation systems, and dual-use export controls. Changes in defense, aviation, or national-security policy could limit where the system can be deployed, restrict international sales, or require additional certifications.

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Date and Other Available Information

Unless otherwise indicated, the information contained in this MD&A is as of November 28, 2025.

Signed

'Anoosh Manzoori'
CEO