

SPARC AI Inc

Unaudited Condensed Interim Consolidated Financial Statements – September 30, 2025

For the Three and Nine Months Ended September 30, 2025 and 2024

(Unaudited)

(Expressed in Canadian Dollars)

SPARC AI Inc.

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Expressed in Canadian Dollars

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General information

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by management in accordance with International Financial Reporting Standards and reviewed by the Audit Committee and Board of Directors of the Company. The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of condensed interim consolidated financial statements by an entity's auditor.

SPARC AI Inc.
Expressed in Canadian Dollars
Unaudited condensed interim consolidated statements of financial position
As at September 30, 2025

| | Note | September 30, 2025 \$ | December 31, 2024 \$ |
|--------------------------------------|------|-----------------------------|----------------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | | 292,720 | 8,133 |
| Trade and other receivables | 7 | 19,080 | 18,927 |
| Total current assets | | <u>311,800</u> | <u>27,060</u> |
| Non-current assets | | | |
| Plant and equipment | | 13,825 | 18,515 |
| Intangibles | | 17,316 | 21,430 |
| Lease bond | | | |
| Total non-current assets | | <u>31,141</u> | <u>39,945</u> |
| Total assets | | <u><u>342,941</u></u> | <u><u>67,005</u></u> |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | | 999 | 38,885 |
| Related party loan | | - | 64,918 |
| Suspense | | 99,992 | |
| Total current liabilities | | <u>100,991</u> | <u>103,803</u> |
| Total liabilities | | <u><u>100,991</u></u> | <u><u>103,803</u></u> |
| Equity | | | |
| Issued capital | 9 | 2,922,001 | 2,374,588 |
| Contributed surplus | | 358,746 | 178,156 |
| Equity component of convertible debt | | | |
| Share based payments | | | |
| Cumulative translation adjustment | | 1,098 | 2,082 |
| Accumulated deficit | | <u>(3,039,895)</u> | <u>(2,591,624)</u> |
| Total equity | | <u>241,950</u> | <u>(36,798)</u> |
| Total liabilities and equity | | <u><u>342,941</u></u> | <u><u>67,005</u></u> |

Signed on behalf of the Board:



Director

Director 

The above unaudited condensed interim consolidated statements of financial position should be read in conjunction with the accompanying notes

SPARC AI Inc.

Expressed in Canadian Dollars

**Unaudited condensed interim consolidated statements of operations and other comprehensive income (loss)
For the three and nine months ended September 30, 2025 and 2024**

| | Note | 3 Months Ended September 30, 2025 \$ | September 30, 2024 \$ | 9 Months Ended September 30, 2025 \$ | September 30, 2024 \$ |
|--|------|---|-----------------------------|---|-----------------------------|
| Revenue | | | | | |
| Sales from rendering services | | - | - | - | - |
| Cost of sales | | - | - | - | - |
| Gross margin | | - | - | - | - |
| Other income | 6 | | - | 36,522 | |
| Research and Development tax credits | 8 | - | - | | |
| Expenses | | | | | |
| Administration | | (20,844) | (39,617) | (136,253) | (85,006) |
| Share based payments | | (140,322) | - | (180,591) | - |
| Depreciation and amortisation expense | | (3,335) | (4,088) | (9,898) | (6,800) |
| Listing expenses | | (5,697) | (3,887) | (23,249) | (21,509) |
| R&D Expenses | | (69,088) | (29,170) | (111,326) | (65,931) |
| Investor relations | | | | (3,675) | |
| Travel - international | | | | (7,000) | |
| Marketing | | (11,897) | - | (12,800) | - |
| Loss before income tax expense | | (251,182) | (76,762) | (448,270) | (179,246) |
| Income tax (expense)/benefit | | | - | - | - |
| Loss after income tax expense for the period | | (251,182) | (76,762) | (448,270) | (179,246) |
| Other comprehensive income/(loss) | | | | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | | | |
| Foreign exchange translation | | 1,099 | 2,614 | 1,099 | 2,614 |
| Other comprehensive income/(loss) for the period, net of tax | | - | - | - | - |
| Total comprehensive loss for the period | | (250,083) | (74,148) | (447,171) | (176,632) |
| Basic and diluted loss per share | 11 | \$(0.017) | \$(0.00) | \$(0.030) | \$(0.014) |

The above unaudited condensed interim consolidated statements of operations and other comprehensive income should be read in conjunction with the accompanying notes

SPARC AI Inc.
Expressed in Canadian Dollars
Unaudited condensed interim consolidated statements of changes in equity
For the three and nine month ended September 30, 2025 and 2024

| | Number of Shares | Issued Capital \$ | Contributed Surplus \$ | Equity Component of Convertible note \$ | Cumulative translation adjustment \$ | Share based Payments | Accumulated deficit \$ | Total Equity \$ |
|--|---------------------|-------------------------|------------------------------|--|---|-------------------------|------------------------------|-----------------------|
| Balance at 31/12/2022 | 28,045,600 | 5,779,104 | 161,417 | 18,176 | (69,218) | | (6,395,605) | (506,126) |
| Share based payments | | | 21,672 | | | | | 21,672 |
| Loss after income tax for the period | | | | | | | (664,196) | (664,196) |
| Translation of opening position | | | 0 | | 69,218 | | | 69,218 |
| Sale of Subsidiary Co | (18,951,061) | (3,905,074) | | (18,176) | | | 991,398 | (2,931,852) |
| Profit on Sale of Subsidiary | | | | | | | 3,631,331 | 3,631,331 |
| Calculation of Options with the sale | | | (183,089) | | | | 161,417 | (21,672) |
| Share based payments | | | | | 0 | 122,641 | | 122,641 |
| Placement December 2023 | 3,389,777 | 372,002 | | | | | | 372,002 |
| Balance at 31/12/2023 | 12,484,316 | 2,246,032 | 0 | 0 | 0 | 122,641 | (2,275,655) | 93,018 |
| Loss after income tax for the period | | | | | | | (315,970) | (315,970) |
| Other comprehensive income for the year | | | | | 2,082 | | | 2,082 |
| issue of shares on exercise of options and warrants | 560,000 | 128,556 | | | | (44,556) | | 84,000 |
| Issue of Warrants | | | | | | 100,071 | | 100,071 |
| Balance at 31 Dec 2024 | 13,044,316 | 2,374,588 | 0 | 0 | 2,082 | 178,156 | (2,591,625) | (36,799) |
| Profit for the period | | | | | | | (448,270) | (448,270) |
| Other comprehensive income for the year | | | | | (984) | | | (984) |
| Placement | 1,505,000 | 293,437 | | | | 23,725 | | 317,162 |
| Exercise of Warrants | 260,000 | 37,331 | | | | | | 37,331 |
| Exercise of Options | 100,000 | 16,645 | | | | | | 16,645 |
| Placement | 1,333,334 | 200,000 | | | | 53,524 | | 253,524 |
| Share based payments Options | | | | | | 103,341 | | 103,341 |
| Balance at 30 June 2025 | 16,242,650 | 2,922,001 | 0 | 0 | 1,098 | 358,746 | (3,039,895) | 241,950 |

Please see note 9 and note 10 for further information.

The above unaudited condensed interim consolidated statements of changes in equity should be read in conjunction with the accompanying notes

SPARC AI Inc.
Expressed in Canadian Dollars
Unaudited condensed interim consolidated statements of cash flows
For the nine months ended September 30, 2025

| | 9 Months Ended | September | September |
|--|----------------|-----------------------|----------------------|
| | Note | 30, 2025 | 30, 2024 |
| | | \$ | \$ |
| Cash flows from operating activities | | | |
| Net Profit (Loss) for the period | | (448,270) | (179,246) |
| <i>Adjustments for items not affecting cash:</i> | | | |
| Depreciation and amortisation | 9 | 9,898 | 6,800 |
| Share based payments | | 180,591 | - |
| Interest expense from leases | | | |
| Gain on disposal of plant & equipment | | | |
| | | <hr/> | <hr/> |
| <i>Net changes in non-cash working capital balances:</i> | | | |
| Decrease / (increase) in trade and other receivables | | (153) | (10,171) |
| (Decrease) / increase in trade creditors and other payables | | (38,982) | (49,388) |
| Profit on sale of Subsidiary company | | | |
| | | <hr/> | <hr/> |
| Net cash used in operating activities | | <u>(296,916)</u> | <u>(232,005)</u> |
| Cash flows from investing activities | | | |
| Payments for property, plant and equipment | | - | (23,196) |
| Payments for intangibles | | - | - |
| Proceeds from disposal of plant and equipment | | - | - |
| | | <hr/> | <hr/> |
| Net cash from/(used in) investing activities | | <u>-</u> | <u>(23,196)</u> |
| Cash flows from financing activities | | | |
| Proceeds from exercised warrants, stock options | 9 | | 84,000 |
| Capital received in advance | | 99,992 | |
| Net proceeds from private placements | 9 | 547,413 | |
| Facility loan | | (64,918) | 63,997 |
| | | <hr/> | <hr/> |
| Net cash from/(used in) financing activities | | <u>582,487</u> | <u>147,997</u> |
| Net increase/(decrease) in cash and cash equivalents | | 285,571 | (107,204) |
| Cash and cash equivalents at the beginning of the financial period | | 8,133 | 122,650 |
| Effects of exchange rate changes on cash and cash equivalents | | (984) | 2,614 |
| | | <hr/> | <hr/> |
| Cash and cash equivalents at the end of the financial period | | <u><u>292,720</u></u> | <u><u>18,060</u></u> |

The above unaudited condensed interim consolidated statements of cash flows should be read in conjunction with the accompanying notes

SPARC AI Inc.
Expressed in Canadian Dollars
Notes to the unaudited condensed interim consolidated financial statements
For the three and nine months ended September 30, 2025 and 2024

Note 1. Incorporation, operation and going concern

Sparc AI Inc. (the “Company” or “Sparc AI”) was incorporated under the laws of the Province of British Columbia, Canada on October 4, 2018 as EYEfi Technologies Inc. On August 11, 2023, the Company changed its name to Sparc AI Inc. The Company’s registered office and principal place of business are: Registered Office #390-825 Homer Street, Vancouver BC, V6B 2W2 Canada and level 8, 90 Collins Street, Melbourne Australia. The Company became a Reporting Issuer on November 10, 2020.

The Company’s principal business activity is a software and engineering entity that has developed, patented and commercialized innovative spatial, predictive, approximation and radial convolution technology called SPARC and an associated product suite that turns any sensor, camera or smartphone device (fixed, mobile, airborne, portable or handheld) into a target co-ordinate acquisition system.

Disposal of subsidiary company.

Pre June 29, 2023, Sparc AI Inc owned a subsidiary company EYEfi Pty Ltd which was incorporated in Australia. The subsidiary company owned the Sparc Patents and Algorithms (the Assets). Effective June 29, 2023, the Company transferred the Sparc Patents and Algorithms (the Assets) from EYEfi Pty Ltd to Sparc AI Inc and then disposed 100% of the shares of EYEfi Pty Ltd to a group of former officers, directors and shareholders (the “Buyer”). As consideration for the sale, Sparc AI retained the Assets and in addition, the Buyers agreed to return 18,951,061 common shares to the Company to be cancelled and returned to treasury. At the time of sale, the common shares had a market value of \$0.15 per. In addition, the Buyer has agreed to pay a further \$2,200,000 (contingent on conditions occurring. See note 19 for further information).

Subsequent to the sale, in July 2023, the company incorporated a new subsidiary company in Australia named Sparc AI Pty Ltd. This is a 100% owned subsidiary company, and manages operations in Australia, focusing on developing the IP assets. During the half year, the Company has successfully integrated the IP onto a microchip which it will now concentrate on the marketing of this microchip.

The financial statements as at September 30, 2025 therefore consist of the Company only with the comparative being the consolidated entity.

The Company’s condensed interim consolidated 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. The Company incurred a loss of (\$448,270) for the 9 months period ended September 30, 2025, and as of that date has an accumulated loss of (\$3,039,895).

Statements of compliance and functional currency

These condensed interim consolidated financial statements have been presented in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the IFRS Interpretations Committee (“IFRIC”), applicable to the preparation of interim financial statements, including Internal Accounting Standard (“IAS”) 34, Interim Financial Reporting.

These condensed interim financial statements are presented in Canadian dollars, which is the Company’s functional and presentation currency. The functional currency of the Company’s subsidiaries is the Australia dollar.

These condensed interim consolidated financial statements were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on November 28, 2025.

SPARC AI Inc.
Expressed in Canadian Dollars
Notes to the unaudited condensed interim consolidated financial statements
For the nine months ended September 30, 2025 and 2024

Note 2. Basis of preparation (continued)

Foreign currency transactions

Foreign currency transactions are translated into Canadian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Note 3. Summary of significant accounting policies

These condensed interim consolidated financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these condensed interim consolidated financial statements are to be read in conjunction with the annual report for the year ended December 31, 2024.

The principal accounting policies adopted are consistent with those of the financial year ended December 31, 2024 and corresponding interim reporting period, unless otherwise stated.

Note 4. Critical accounting judgements, estimates and assumptions

The preparation of the condensed interim consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the condensed interim consolidated financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. Revisions to estimates and the resulting impacts on the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

Note 5. Operating segments

Post sale of the subsidiary company, the operating segments are under strategic review.

Note 6 Other Revenue

Other revenue consists of receipts from the Australian Tax Office for Goods and Services refunds.

Note 7. Trade and other receivables

| | September 30, 2025 | December 31, 2024 |
|-----------------------|-------------------------------|------------------------------|
| | \$ | \$ |
| <i>Current assets</i> | | |
| Trade receivables | 1,662 | 1,662 |
| GST receivable | 17,418 | 17,265 |
| | <hr/> | <hr/> |
| | 19,080 | 18,927 |
| | <hr/> <hr/> | <hr/> <hr/> |

Sparc AI Inc.
Expressed in Canadian Dollars
Notes to the unaudited condensed interim consolidated financial statements
For the nine months ended September 30, 2025 and 2024

Note 8. Research and development tax credits receivable

Government grants

Government grants are recognized in the profit or loss on a systematic basis over the periods in which the consolidated entity recognizes, as expenses, the related costs for which the grants are intended to compensate. The consolidated entity uses the income approach and presents research and development grant income separately as part of the profit or loss as “research and development tax credits”. The consolidated entity has been lodging research and development applications with the Australian governing bodies since 2014 and has reasonable assurance that all of the expenditures qualify for the grants and that all conditions have been met when they are recorded. There are no unfulfilled conditions or other contingencies attached to these grants.

The research and development expenditures are permitted as established by AusIndustry, the Australian government body that reviews and approves research and development claims. In considering this, the directors considered the methodology used in assessing such expenditures as qualifying expenditures to be consistent with the methodology applied to like-for-like claims it has lodged in previous years since 2014. The directors also considered the expertise and experience of the research and development consultant contracted to assist in the formulation and lodgement of those claims.

Note 9. Issued capital

| | September 30, 2025 Shares | December 31, 2024 Shares | September 30, 2025 \$ | December 31, 2024 \$ |
|----------------------------|--|---|--------------------------------------|-------------------------------------|
| Common shares - fully paid | | 13,044,316 | | 2,374,588 |

Movements in common share capital

| Details | Shares | \$ |
|--|---------------|-------------|
| Balance at January 1, 2023 | 28,045,601 | 5,779,104 |
| Shares cancelled as part of the sale of subsidiary Issued capital of subsidiary sold Placement December 2023 | (18,951,061) | (3,905,074) |
| | 3,389,777 | 372,002 |
| Balance at December 31, 2023 | 12,484,317 | 2,246,032 |
| Shares issued on Exercise of options and warrants | 560,000 | 128,556 |
| Balance at December 31, 2024 | 13,044,316 | 2,374,588 |
| Placement January 2025 | 1,505,000 | 293,437 |
| Exercise of Warrants May 29, 2025 | 260,000 | 37,331 |
| Exercise of Options May 29, 2025 | 100,000 | 16,645 |
| Placement July 2025 | 1,333,334 | 200,000 |
| Balance at September 30, 2025 | 16,242,650 | 2,922,001 |

Common shares

Common shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid common shares have no par value and the Company does not have a limited amount of authorised capital.

EYefi Group Technologies Inc.
Notes to the unaudited condensed interim consolidated financial statements
For the nine months ended September 30, 2025 and 2024

Note 12. Issued capital (continued)

Note 10. Warrants

As the Company does not have sufficient history of past share prices, the expected volatility was calculated by taking the volatility of a comparable company.

During the period ending September 30, 2025, 260,000 warrants were exercised and converted to ordinary shares. As part of the January and July 2025 placements, 2,915,667 warrants were issued to those who participated in the placements.

The balance of warrants outstanding and exercisable as at September 30, 2025 was as follows:

| Expiry date | Exercise price | Remaining life (Years) | Warrants outstanding |
|-----------------|----------------|------------------------|----------------------|
| August 31, 2026 | \$0.26 | 0.90 | 400,000 |
| 31 January 2026 | \$0.31 | 0.33 | 1,550,000 |
| 28 July, 2027 | \$0.25 | 0.82 | 1,386,667 |

The warrants have been valued using the Black Scholes method with the following inputs:

| | | | |
|-------------------------|--------|---------|---------|
| Stock price | 0.23 | 0.31 | 0.22 |
| Strike price | 0.31 | 0.26 | 0.25 |
| Term | 1 year | 2 years | 2 years |
| Risk-free interest rate | 3.35% | 3.12% | 4.00% |
| Dividend yield | -% | -% | -% |
| Volatility | 50% | 50% | 50% |

Options on Issue

The company issued the following options during the 9 months ended September 30, 2025

On 29 January 2025, 150,000 options were issued to a consultant at an exercise price of 25 cents. The options have a life of 2 years.

On 1 April 2025, 150,000 options were issued to a consultant at an exercise price of 31 cents. The options have a life of 2 years.

Both consultants are providing ongoing services to the company, and are not related parties to the company.

On 18 September 2025, 200,000 options were issued to two consultants at an exercise price of 27 cents. The options have a life of 1 year. The options were issued for services rendered.

A summary of options on issue at September 30, 2025 are as follows:

| Expiry date | Exercise price | Remaining life (Years) | Options 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 |

Sparc AI Inc.
Notes to the unaudited condensed interim consolidated financial statements
For the six months ended June 30, 2024 and 2023

Note 11. Loss per share

| | 3 Months Ended | 3 Months Ended | 9 Months Ended | 9 Months Ended |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| | September | September | September | September |
| | 30, 2025 | 30, 2024 | 30, 2025 | 30, 2024 |
| | \$ | \$ | \$ | \$ |
| Profit (Loss) after income tax attributable to the owners of Sparc AI Inc. | <u>(251,182)</u> | <u>(76,762)</u> | <u>(448,270)</u> | <u>(179,246)</u> |
| | Number | Number | Number | Number |
| Weighted average number of common shares used in calculating basic earnings per share | 14,672,873 | 12,692,974 | 14,672,873 | 12,692,974 |
| Weighted average number of common shares used in calculating diluted earnings per share | 14,672,873 | 12,692,974 | 14,672,873 | 12,692,974 |
| Basic and diluted loss per share | \$(0.017) | \$(0.00) | \$(0.030) | \$(0.014) |

Note 12. Financial instruments and risk management

Capital Management

The Company's objective when managing capital is to maintain its ability to continue as a going concern, in order to provide returns for the shareholders and benefits for other stakeholders. The Company includes equity, comprised of share capital and deficit, in the definition of capital.

The Company's primary objective, with respect to its capital management, is to ensure that it has sufficient cash resources to fund operations. To secure the additional capital necessary to pursue these plans, the Company may attempt to raise additional funds through the issuance of equity or by securing strategic partners.

Fair value

Fair value represents the price at which an asset and liability could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. The Company classifies the fair value of assets and liabilities according to the following hierarchy based on the amount of observable inputs used to value the instrument.

Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in the active market for identical assets or liabilities.

Level 2: Fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices).

Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

As at June 30, 2022, the fair value of cash and cash equivalents held by the Company was based on level 1 inputs of the fair value hierarchy. The Company's financial instruments consist of cash and cash equivalents, trade receivables, employee benefits, contract liabilities, accounts payable and accrued liabilities, and lease liabilities. The carrying values of accounts payable and accrued liabilities approximate fair value because of the short-term nature of these instruments.

Credit risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. The cash at bank is subject to credit risk where the bank cannot repay the principal and interest to the Company. The Company mitigates this risk by using the major banks in Australia and Canada. The Company believes it has no significant credit risk.

SPARC AI Inc.
Expressed in Canadian Dollars
Notes to the unaudited condensed interim consolidated financial statements
For the nine months ended September 30, 2025 and 2024

Note 15. Financial instruments and risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Company will achieve this by maintaining sufficient cash and seeking equity financing when needed.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

| | 0-30 Days | 30-60 Days | 60-90 Days | 90-365 Days | 1-5 Years | Total \$ |
|----------------------------|----------------|------------|------------|-------------|-----------|----------------|
| September 30, 2025 | | | | | | |
| Trade and other payables | 999 | | | | | 999 |
| | <u>999</u> | | | | | <u>999</u> |
| | 0-30 Days | 30-60 Days | 60-90 Days | 90-365 Days | 1-5 Years | Total \$ |
| December 31, 2024 | | | | | | |
| Trade and other payables | 38,885 | | | | | 38,885 |
| Related party loan payable | 64,918 | | | | | 64,918 |
| | <u>103,803</u> | | | | | <u>103,803</u> |

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Note 13. Contingent Asset

As part of the sale of the subsidiary company, there was a Promissory Note issued by EYEFi Pty Ltd to Sparc AI Inc. This note was to the value of CAD 2,200,000. The maturity date of this note is contingent on the following:

- A sale of the issued shares of EYEFi Pty Ltd by any shareholders (except where the sale is between related entities);
- The issue and sale from treasury of Company shares, unless this is done to raise funds (if this is the case, 50% of the funds raised are to be applied to the repayment of the Promissory Note);
- A sale of the main undertaking or the majority of the assets of the company.

Having regard to the contingent nature of the maturity date, directors have resolved to treat the Promissory Note as a contingent asset and not record it to the statement of financial position.

SPARC AI Inc.**Notes to the unaudited condensed interim consolidated financial statements****For the nine months ended September 30, 2025 and 2024****Note 14 Transactions with related parties**

| 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 |

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.

Note 15 Loan Facility

On June 30, 2023, the Company signed a loan agreement with related parties which allows for a maximum of \$200,000 to be drawn as required. There is no interest to be paid on the loan funds drawn, and the funds are to be repaid 12 months from the signing of the agreement (unless both parties agree to extend the term of the loan). The warrants referred to in note 10 were issued as part of the terms of this agreement. During the period, the loan was fully paid.

Note 16 Subsequent events.

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 1,571,428units (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.