

**Sparc AI Inc
formally
EYEFI Group Technologies Inc.**

**Unaudited Condensed Interim Consolidated Financial
Statements – June 30, 2023**

For the Three and Six Months Ended June 30, 2023 and 2022

(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

On August 11, 2023, Eyefi Group Technology Inc changed its name to Sparc AI Inc. The code on the CSE was changed to SPAI to recognise the name change. In this document, the new name of Sparc AI Inc will be used.

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 June 30, 2023

	Note	June 30, 2023 \$	December 31, 2022 \$
Assets			
Current assets			
Cash and cash equivalents		3,133	146,979
Trade and other receivables	7	1,006	1,006
Research and development tax credits receivable	8	-	376,113
Prepayments		-	130
Total current assets		<u>4,139</u>	<u>524,228</u>
Non-current assets			
Plant and equipment			5,523
Right-of-use assets	9		157,410
Intangibles		32,307	35,346
Lease bond			29,509
Total non-current assets		<u>32,307</u>	<u>227,788</u>
Total assets		<u><u>36,446</u></u>	<u><u>752,016</u></u>
Liabilities			
Current liabilities			
Trade and other payables		4,166	416,129
Facility loan payable			202,076
Lease liabilities	10		78,504
Short-term employee benefits			56,920
Contract liabilities	11		333,961
Related party loans			70,279
Total current liabilities		<u>4,166</u>	<u>1,157,869</u>
Non-current liabilities			
Lease liabilities	10		94,419
Short-term employee benefits			5,854
Total non-current liabilities		<u>-</u>	<u>100,273</u>
Total liabilities		<u><u>4,166</u></u>	<u><u>1,258,142</u></u>
Equity			
Issued capital	12	1,631,716	5,779,104
Contributed surplus		-	161,417
Equity component of convertible debt		-	18,176
Share based payments		115,431	-
Cumulative translation adjustment		-	(69,218)
Accumulated deficit		<u>(1,714,867)</u>	<u>(6,395,605)</u>
Total equity		<u><u>32,280</u></u>	<u><u>(506,126)</u></u>
Total liabilities and equity		<u><u>36,446</u></u>	<u><u>752,016</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 six months ended June 30, 2023 and 2022**

	Note	3 Months Ended		6 Months Ended	
		June 30, 2023 \$	June 30, 2022 \$	June 30, 2023 \$	June 30, 2022 \$
Revenue					
Sales from rendering services	6	1,724	88,259	195,482	245,428
Cost of sales		(50,571)	(154,734)	(130,971)	(176,949)
Gross margin		48,847	(66,475)	64,511	68,479
Other income		-	29,654		27,047
Research and Development tax credits	8	-	93,805		189,238
Expenses					
Administration		(89,403)	(165,613)	(169,920)	(335,359)
Employee benefits expense		(172,967)	(100,368)	(312,859)	(354,638)
Depreciation and amortisation expense		(16,800)	(20,536)	(37,625)	(43,809)
Interest expense		(34)	(3,326)	(5,168)	(7,923)
Marketing		-	(6,140)	-	(39,966)
Loss before income tax expense		(328,052)	(241,699)	(461,061)	(496,931)
Income tax (expense)/benefit		(69,590)	-	(69,562)	-
Loss after income tax expense for the period		(258,462)	(241,699)	(391,499)	(496,931)
Other comprehensive income/(loss)					
<i>Items that may be reclassified subsequently to profit or loss</i>					
<i>Foreign currency translation</i>		(6,641)	2,791		7,494
Other comprehensive income/(loss) for the period, net of tax		271,847	2,791	271,847	7,494
Total comprehensive loss for the period		<u>6,744</u>	<u>(238,908)</u>	<u>(119,652)</u>	<u>(489,437)</u>
Basic and diluted loss per share	14	\$ (0.000)	\$ (0.001)	\$ (0.001)	\$ (0.002)

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 six month ended June 30, 2023 and 2022

Six months ended June 30, 2022	Number of Shares	Issued Capital	Contributed Surplus	Capital raising Costs	Warrants	Equity Component of Convertible note	Cumulative translation adjustment	Accumulated deficit	Total Equity
		\$	\$	\$	\$	\$	\$	\$	\$
Balance at January 1, 2022	27,555,600	5,292,160	113,761	0	399,524	0	(60,015)	(5,765,210)	(19,780)
Loss after income tax for the period								(496,931)	(496,931)
Other comprehensive income for the period net of tax							7,494		0
Exercised options	90,000	16,175	(7,175)						7,494
Private placement			16,506						9,000
Forfeited options			(9,278)					9,278	16,506
Forfeited options									0
Balance at June 30, 2022	27,645,600	5,308,335	113,814	0	399,524	0	(52,521)	(6,252,863)	(483,711)

Six months ended June 30, 2023	Number of Shares	Issued Capital	Contributed Surplus	Capital raising Costs	Share Based payments	Equity Component of Convertible note	Cumulative translation adjustment	Accumulated deficit	Total Equity
		\$	\$	\$	\$	\$	\$	\$	\$
Balance at January 1, 2023	28,045,600	5,779,104	161,417	0	0	18,176	(69,218)	(6,395,605)	(506,126)
Share based payments			21,672						21,672
Loss after income tax for the period					(168,528)				(168,528)
Translation of opening position		0	(2,487)			(441)	186,947		0
Translation of opening position									184,019
<i>Effect of sale and de consolidation of EYEFi Pty Ltd</i>									
Sale of Subsidiary Company	(18,951,061)	(4,147,387)	(180,602)	168,528		(17,735)	(117,729)	4,294,925	(0)
Gain on sale of subsidiary								777,312	777,312
IP Assets Transferred									0
Loss for period								(391,499)	(391,499)
Share based payment					115,431				115,431
Balance at 30 June, 2023	9,094,539	1,631,717	(0)	0	115,431	(0)	0	(1,714,867)	32,280

Please see note 12 and note 13 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 six months ended June 30, 2023

	Note	6 Months Ended June 30, 2023 \$	June 30, 2022 \$
Cash flows from operating activities			
Net Profit (Loss) for the period		(119,623)	(496,931)
<i>Adjustments for items not affecting cash:</i>			
Depreciation and amortisation	9		43,809
Share based payments		115,431	16,506
Interest expense from leases			6,911
Gain on disposal of plant & equipment			(27,041)
		(4,192)	(456,746)
<i>Net changes in non-cash working capital balances:</i>			
Decrease / (increase) in trade and other receivables			46,364
(Decrease) / increase in trade creditors and other payables		4,145	68,938
Research and development tax receivable	8		245,586
Increase/(decrease) in employee benefits			(5,952)
Profit on sale of Subsidiary company			-
Net cash used in operating activities		(47)	(101,810)
Cash flows from investing activities			
Payments for property, plant and equipment			-
Payments for intangibles			-
Proceeds from disposal of plant and equipment			49,881
Net cash from/(used in) investing activities			49,881
Cash flows from financing activities			
Proceeds from exercised stock options	12		9,000
Lease payments			(41,873)
Net proceeds from private placements	12,13		-
Facility loan		-	-
Net cash from/(used in) financing activities			(32,873)
Net increase/(decrease) in cash and cash equivalents		(47)	(84,802)
Cash and cash equivalents at the beginning of the financial period		3,180	354,947
Effects of exchange rate changes on cash and cash equivalents			6,457
Cash and cash equivalents at the end of the financial period		<u>3,133</u>	<u>276,692</u>

The cash flow for the half year ended 30 June, 2023 reflects the de consolidation of the sold subsidiary company.

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 six months ended June 30, 2023 and 2022

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.

The Group consists of Sparc AI Inc and EYEfi Pty Ltd (EYEfi Pty”) its 100% owned subsidiary company. EYEfi Pty Ltd owns the Sparc Patents and Algorithms (the Assets). Effective June 29, 2023, Sparc AI disposed of 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).

The financial statements as at June 30, 2023 therefore consist of the Company only with the comparative being the consolidated entity. The sold subsidiary’s results were deconsolidated at 29 June, 2023.

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 (\$391,499) for the 6 months period ended June 30, 2023, and as of that date has an accumulated loss of (\$1,714,867)

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 August 24, 2023.

Effective January 1, 2020, the Company changed its presentation currency to Canadian Dollars from Australian Dollars. The financial statements as of June 30, 2023 and for the year ended December 31, 2022, have been translated into Canadian Dollars in accordance with IAS 21, “The Effects of Changes in Foreign Exchange Rates”, as follows:

- Assets and liabilities presented and previously reported in Australian Dollars and have been translated into Canadian Dollars using the period-end-exchange rate of 0.8746;
-
- Shareholders’ equity balances have been translated using historical exchange rates in effect on the date that transactions occurred; and
- Resulting exchange differences have been recorded to the reserve of exchange differences account on translation.

Sparc AI Inc.
Expressed in Canadian Dollars
Notes to the unaudited condensed interim consolidated financial statements
For the six months ended June 30, 2023 and 2022

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, 2022.

The principal accounting policies adopted are consistent with those of the financial year ended December 31, 2021 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. Revenue

	6 Months Ended	
	June 30, 2023	June 30, 2022
	\$	\$
IIoT Sensor Cloud	-	-
Spatial Video Platform	195,482	245,428
Consulting fees	-	-
	<hr/>	<hr/>
Revenue from rendering services	<u>195,482</u>	<u>245,428</u>

IIoT Sensor Cloud and Spatial Video Platform revenue have all been recognised over the time the services have been rendered.

Sparc AI Inc.
Notes to the unaudited condensed interim consolidated financial statements
For the period ended 30 June 2022

Note 6. Revenue (continued)

	6 Months Ended	
	June 30, 2023	June 30, 2022
Major customer revenue contribution		-
Revenue portion of total service revenue		
Telstra	161,373	111,276
Melbourne Water	34,109	134,152
	<hr/>	<hr/>
	<u>195,482</u>	<u>245,428</u>

Note 7. Trade and other receivables

	June 30, 2023	December 31, 2022
	\$	\$
<i>Current assets</i>		
Trade receivables	-	1,006
GST receivable	1,006	
	<hr/>	<hr/>
	<u>1,006</u>	<u>1,006</u>

Sparc AI Inc.
Expressed in Canadian Dollars
Notes to the unaudited condensed interim consolidated financial statements
For the six months ended June 30, 2023 and 2022

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.

On the sale of the Subsidiary Company, this R&D receivable is no longer applicable to the group at this point in time.

Balance at January 1, 2022	420,848
Amounts Received	(424,115)
Amounts Accrued	378,374
Exchange Differences	1,006
Balance at December 31, 2022	<u>376,113</u>

Amount received	(376,113)
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Note 9. Right-of-use assets

On December 21, 2020, the Company signed a new lease at 17/71 Victoria Crescent, Abbotsford VIC 3067 with a commencement date of February 1, 2021 and term of four years.

The right-of-use asset is depreciated over 4 year and a lease liability are measured at the present value of the lease payments unpaid at commencement date, discounted using the consolidated entity’s incremental borrowing rate of 6%.

This asset has been de consolidated with the sale of the subsidiary company and is no longer part of the Company.

	Total \$
Balance at January 1 2021	12,743
Additions	308,730
Exchange differences	(7,131)
Depreciation expense	(82,951)
Balance at December 31, 2021	<u>231,391</u>
Exchange differences	(5,135)
Depreciation expense	<u>(37,476)</u>
Balance at June 30, 2022	<u><u>188,780</u></u>

Sparc AI Inc.
Expressed in Canadian Dollars
Notes to the unaudited condensed interim consolidated financial statements
For the six months ended June 30, 2023 and 2022

Note 10. Lease liabilities

The lease liability has been de consolidated with the sale of the subsidiary company and is no longer part of the Company

	Total \$
Balance at January 1, 2022	241,805
Additions	
Payments towards lease	(82,209)
Accretion	13,086
Exchange Differences	241
Balance at December 31, 2022	<u>172,923</u>

Refer to note 9 for further information on right-of-use assets.

	December 31, 2022 \$
<i>Current liabilities</i>	
Lease liability	<u>70,175</u>
<i>Non-current liabilities</i>	
Lease liability	<u>171,630</u>
	<u><u>241,805</u></u>

Note 11. Contract liabilities

Contract liabilities for FY 2022 (refer to Consolidated Statements of Financial Position) represents deferred revenue relating to server licenses of Sparc AI's Spatial Video/SPARC platform deployed in Telstra data center, which have not yet been activated or configured for customer use. There is further configuration required once Telstra starts connecting cameras and customers (subscriptions) to those servers. This activity, when it occurs, will take less than a week and will be a one-off exercise. The Company has the resources to finish this configuration work and does not expect there to be significant costs associated with completing this work (\$308,345). The balance of \$60,286 is for Income received in advance for services to provide in the September 2022 quarter to Telstra. There are no contract liabilities for the financial year ended 30 June, 2023.

The liability has been de consolidated with the sale of the subsidiary company and is no longer part of the Company.

	6 Months Ended December 31, 2021 \$
Contract liabilities	<u><u>308,345</u></u>

Sparc AI Inc.
Expressed in Canadian Dollars
Notes to the unaudited condensed interim consolidated financial statements
For the six months ended June 30, 2023 and 2022

Note 12. Issued capital

	June 30, 2023 Shares	December 31, 2022 Shares	June 30, 2023 \$	December 31, 2022 \$
Common shares - fully paid	9,094,539	28,045,600	1,631,716	5,779,104

Movements in common share capital

Details	Shares	\$
Balance at January 1, 2022	27,555,600	5,292,160
Exercised options	490,000	87,420
Warrants Expired	-	399,524
Balance at December 31, 2022	<u>28,045,600</u>	<u>5,779,104</u>
Shares cancelled as part of the sale of subsidiary	(18,951,061)	
FX translation of opening balance		(282,473)
Issued capital of subsidiary sold		<u>(3,905,074)</u>
Balance at June 30, 2023	<u><u>9,094,539</u></u>	<u><u>1,631,716</u></u>

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.

Note 13. Warrants

At 30 June 2023 as part of the sale transaction, all exiting warrants were cancelled and 520,000 new Warrants were issued. The Warrants were valued using the Black Scholes method.

Stock price	0.15
Strike price	0.15
Term	3
Risk-free interest rate	3%
Dividend yield	0%
Volatility	100%

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.

	June 30, 2023 \$	December 31, 2022 \$
Warrants	<u><u>49,200</u></u>	<u><u>399,524</u></u>

Sparc AI Inc.
Notes to the unaudited condensed interim consolidated financial statements
For the period ended 30 June 2022

Note 14. Loss per share

	3 Months Ended		6 Months Ended	
	June 30,	June 30,	June 30,	June 30,
	2023	2022	2023	2022
	\$	\$	\$	\$
Profit (Loss) after income tax attributable to the owners of Sparc AI Inc.	<u>6,744</u>	<u>(238,908)</u>	<u>(119,624)</u>	<u>(489,437)</u>
	Number	Number	Number	Number
Weighted average number of common shares used in calculating basic earnings per share	9,094,539	27,568,600	9,094,539	27,562,100
Weighted average number of common shares used in calculating diluted earnings per share		27,568,600		27,562,100
Basic and diluted loss per share	\$	\$(0.01)	\$(0.01)	\$(0.02)

Note 15. 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 six months ended June 30, 2023 and 2022

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 \$
June 30, 2023						
Trade and other payables	4,167					4,167
	<u>4,167</u>					<u>4,167</u>
	0-30 Days	30-60 Days	60-90 Days	90-365 Days	1-5 Years	Total \$
December 31, 2022						
Trade and other payables	416,129					416,129
Facility loan payable				225,000		225,000
Lease liabilities				86,752	97,765	184,517
Related party loan payable				70,279		70,279
	<u>416,129</u>			<u>382,031</u>	<u>97,765</u>	<u>895,925</u>

There were no related transactions with related parties for the six months period ended June 30, 2023 for the Company.

Terms and conditions

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

Note 18. 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.

Note 19. Stock options

As part of the terms of the sale of the subsidiary company, the 1,200,000 options on issue were cancelled and new options were issued as follows:

Sparc AI Inc.
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Notes to the unaudited condensed interim consolidated financial statements
For the six months ended June 30, 2022 and 2021

Note 18. Stock options (continued)

Expiry Date	Exercise Price \$	Remaining life (Years)	Options outstanding
June 30, 2026	\$0.15	3.00	700,000

Note 19 Disposal of Subsidiary Company.

On June 30, 2023 it was agreed with a group of Sparc AI Inc Shareholders that the subsidiary company EYFI Pty Ltd would have its ownership transferred to the shareholder group, for the following consideration and terms:

- That the SPARC IP assets that were housed in the subsidiary company were transferred to Sparc AI Inc;
- That the group of shareholders hand their shares in Sparc AI Inc treasury. These shares were then to be cancelled. The number of shares in question is 18,951,061, leaving 9,094,539 shares on issue;
- A Deferred Cash Consideration of CAD \$2,200,000 in the event EYEFI Pty Ltd is sold, or divests part or all its assets, or undertakes a capital raise or is in default. As this consideration is contingent on events occurring, it has not been debited to the balance sheet.
- Debt facilities in the group were part of the EYEFI Pty Ltd net assets and will transfer with the company.

The subsidiary sold had net assets at the time of sale of (\$777,311). Consideration for the sale was the transfer of the IP assets transferred of \$32,307 and intercompany debt forgiven of \$44,002. This has given a profit on sale of \$853,621. As the assets, liabilities, equity and reserves of the subsidiary company were transferred to the new owners, the profit of \$853,621 is not reflected in the profit and loss of the Company. It is reflected in the change in net assets in Sparc AI Inc :

Net assets of group, pre sale	(777,311)
Profit on sale of subsidiary	853,621
<u>Net movement</u>	<u>76,310</u>
Net assets of EYEFi Group Technologies Inc, pre sale	(39,863)
Loss for the period	(4,167)
<u>Net assets of EYEFi Technologies Inc as at 30 June, 2023.</u>	<u>32,280</u>

Note 20 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 13 were issued as part of the terms of this agreement.

Note 21 Subsequent events.

On August 11, 2023, the company changed its name from EYEFi Technologies Inc to Sparc AI Inc. The Canadian Securities Code for the new name is SPAL.