

# **Sparc AI Inc.**

## **Unaudited Condensed Interim Consolidated Financial Statements – September 30, 2023**

**For the Three and Nine Months Ended September 30, 2023 and 2022**

(Unaudited)

(Expressed in Canadian Dollars)

**Sparc AI Inc.****Contents****Expressed in Canadian Dollars****For the three and nine months ended September 30, 2023 and 2022**

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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, 2023**

	Note	September 30, 2023 \$	December 31, 2022 (Audited) \$
<b>Assets</b>			
<b>Current assets</b>			
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>
<b>Non-current assets</b>			
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>
<b>Total assets</b>		<u><b>36,446</b></u>	<u><b>752,016</b></u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
<b>Trade and other payables</b>	15	14,166	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>14,166</u>	<u>1,157,869</u>
<b>Non-current liabilities</b>			
<b>Lease liabilities</b>			94,419
Long-term employee benefits			5,854
Total non-current liabilities			<u>100,273</u>
<b>Total liabilities</b>		<u><b>14,166</b></u>	<u><b>1,258,142</b></u>
<b>Equity</b>			
Issued capital	12	1,631,716	5,779,104
Contributed surplus			161,417
Equity component of convertible debt		-	18,176
Options reserve	13	66,231	-
Warrants		49,200	-
Cumulative translation adjustment			(69,218)
Accumulated deficit		(1,724,867)	(6,395,605)
<b>Total equity</b>		<u><b>22,280</b></u>	<u><b>(506,126)</b></u>
<b>Total liabilities and equity</b>		<u><b>36,446</b></u>	<u><b>752,016</b></u>

Signed on behalf of the Board:



**"Anoosh Manzoori"**  
**Director**



**"Justin Hanka"**  
**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, 2023 and 2022**

		<b>3 Months Ended</b>		<b>9 Months Ended</b>	
	<b>Note</b>	<b>September 30, 2023</b>	<b>September 30, 2022</b>	<b>September 30, 2023</b>	<b>September 30, 2022</b>
		<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Revenue</b>					
Sales from rendering services	6	-	65,852	195,482	310,394
Cost of sales		-	(80,375)	(130,971)	(257,236)
		-			
Gross margin			(14,523)	64,511	53,158
Other income		-	6		26,833
Research and Development tax credits	8	-	93,375		282,644
		-			
<b>Expenses</b>					
Administration		(10,000)	(157,324)	(179,920)	(492,668)
Employee benefits expense		-	(137,373)	(312,859)	(491,438)
Depreciation and amortisation expense	9	-	(20,512)	(37,625)	(64,309)
Interest expense	10	-	(3,488)	(5,168)	(10,401)
Marketing		-	(3,571)		(43,272)
<b>Loss before income tax expense</b>		(10,000)	(243,410)	(471,061)	(739,453)
Income tax expense		-	-	(69,562)	-
<b>Loss after income tax expense for the period</b>		(10,000)	(243,410)	(401,499)	(739,453)
<b>Other comprehensive income (loss)</b>					
<i>Items that may be reclassified subsequently to profit or loss</i>					
Foreign currency translation		(10,000)	(5,339)	(401,499)	10,587
Other comprehensive loss for the period, net of tax		(10,000)	(5,339)	271,847	10,587
Total comprehensive loss for the period		(10,000)	(248,849)	(129,652)	(728,866)
		\$	\$	\$	\$
Basic and diluted loss per share	14	(0.00)	(0.01)	(0.01)	(0.03)

*The above unaudited condensed interim consolidated statements of operations and other comprehensive income (loss)  
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 nine months ended September 30, 2023 and 2022**

	Number of shares	Issued capital \$	Contributed surplus \$	Warrants \$	Cumulative translation adjustment \$	Accumulated deficit \$	Total equity \$
<b>9 Months Ended</b>							
Balance at January 1, 2022	27,555,600	5,292,160	113,761	399,524	(60,015)	(5,405,126)	340,304
Loss after income tax expense for the period	-	-	-	-	-	(739,453)	(739,453)
Other comprehensive income for the period, net of tax	-	-	-	-	10,587	-	10,587
Total comprehensive loss for the period	-	-	-	-	10,587	(739,453)	(728,866)
Exercised options	240,000	43,133	(19,133)	-	-	-	24,000
Vesting charge - stock options	-	-	23,319	-	-	-	23,319
Warrants expired	-	399,524	-	(399,524)	-	-	-
Forfeited options	-	-	(48,510)	-	-	48,510	-
Balance at September 30, 2022	27,795,600	5,734,817	69,437	-	(49,428)	(6,096,069)	(341,243)

9 Months ended September 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
<b>Balance at January 1 2023</b>	<b>28,045,600</b>	<b>5,778,104</b>	<b>161,417</b>	<b>0</b>	<b>0</b>	<b>18,176</b>	<b>(69,218)</b>	<b>(6,395,605)</b>	<b>(506,126)</b>
Loss for period								(271,874)	(271,874)
Share based payments			21,672						21,672
Capital raising cost				(168,528)					(168,528)
Translation of opening position		(242,314)	(2,487)			(441)	69,218	327,734	151,710
Effect of sale and consolidation									
Sale of Subsidiary	(18,951,061)	(3,905,074)	(180,602)	168,528		(17,735)		4,712,195	777,312
IP asset transferred								32,308	32,308
Loss for period								(129,624)	(129,624)
Share based payment					115,431				115,431
<b>Balance at 30 September 2023</b>	<b>9,094,539</b>	<b>1,631,717</b>	<b>-</b>	<b>-</b>	<b>115,431</b>	<b>-</b>	<b>-</b>	<b>(1,724,866)</b>	<b>22,280</b>

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 nine months ended September 30, 2023**

		<b>9 Months Ended</b>	
	<b>Note</b>	<b>September</b>	<b>September</b>
		<b>30, 2023</b>	<b>30, 2022</b>
		<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>			
Net loss for the period		(129,652)	(739,453)
<i>Adjustments for items not affecting cash:</i>			
Depreciation and amortisation			64,309
Share based payments			23,319
Interest expense from leases		115,431	10,401
Gain on disposal of plant & equipment			(26,822)
		(14,221)	(668,246)
<i>Net changes in non-cash working capital balances:</i>			
Decrease in trade and other receivables		14,174	41,542
Increase in trade creditors and other payables			171,885
Research and development tax receivable			152,817
Increase/(decrease) in employee benefits			6,267
Income tax refund/(payable)		(47)	-
Net cash used in operating activities			(295,735)
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		-	-
Payments for intangibles		-	-
Proceeds from disposal of property, plant and equipment			49,475
			49,475
Net cash from/(used in) investing activities		-	-
<b>Cash flows from financing activities</b>			
Proceeds from exercised stock options			24,000
Lease payments			(61,906)
Net Proceeds from private placements			
Facility loan			
		-	
Net cash from/(used in) financing activities			(37,906)
Net increase/(decrease) in cash and cash equivalents		(47)	(284,166)
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			13,258
Cash and cash equivalents at the end of the financial period		3,133	84,039

*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, 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 is commercializing 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”) 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 September 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.

On July 2023, the Company incorporated a 100% owned subsidiary company SPARC AI Pty Ltd for commercialization activities in Australia.

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 (\$129,624) for the 9 months period ended September 30, 2023, and as of that date has an accumulated loss of (\$1,724,867

**Note 2. Basis of preparation**

*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 International Accounting Standard (“IAS”) 34, Interim Financial Reporting.

These condensed interim consolidated 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 20, 2022.

*Foreign currency transactions*

Subsequent to the sale of the subsidiary company, all transactions are in the Canadian current so there is not requirement for foreign exchange translation.

**Sparc AI Inc.****Notes to the unaudited condensed interim consolidated financial statements****For the period ended 30 September 2023****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**

The Company has one operating segment: software and electronics engineering services. In identifying the operating segment, management generally follows the Company's service line representing Spatial Video Platform and IIoT Sensor Cloud services. The Company aims to solve critical problems for government and industry customers operating in infrastructure and asset management, emergency management and incident response markets. The Company operates in the Oceania region, which is situated in the Asia-Pacific region. All of the Company's non-current assets are located in the Oceania region.

The operations of the segment are monitored by the Company's Chief Operating Decision Maker and strategic decisions are made based on reporting results. For the nine months period ended September 30, 2023, there have been no changes from prior periods to measurement methods used to determine the segment's profit or loss.

**Note 6. Revenue**

	<b>9 Months Ended</b>	
	<b>September</b>	<b>September</b>
	<b>30, 2023</b>	<b>30, 2022</b>
	<b>\$</b>	<b>\$</b>
IIoT Sensor Cloud	-	-
Spatial Video Platform	195,482	307,596
Consulting fees		2,798
Revenue from rendering services	<u>195,482</u>	<u>310,394</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 September 2023**

**Note 6. Revenue (continued)**

	9 Months Ended September 30, 2023	September 30, 2022
Major customer revenue contribution		
Revenue portion of total service revenue		
Telstra	161,373	174,532
Melbourne Water	34,109	133,064
VicRoads		-
Department of Transport		-
	<u>195,482</u>	<u>307,596</u>

**Note 7. Trade and other receivables**

	September 30, 2023 \$	December 31, 2022 (Audited) \$
Trade receivables	1,006	1,006
GST receivable		
	<u>1,006</u>	<u>1,006</u>

**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 lodgment of those claims.

<b>Balance at January 1, 2022</b>	420,848
Amounts Received	(424,115)
Amounts Accrued	378,797
Exchange Differences	1,006
Balance at December 31, 2022	<u>376,113</u>
Amounts Received	(376,113)
Amounts Accrued	
Exchange Differences	
<b>Balance at September 30, 2023</b>	<u>-</u>

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

**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%.

As part of the sale of subsidiary, this right of use asset was part of the sale and is no longer part of the group.

**Note 10. Lease liabilities**

	September 30, 2023 \$	December 31, 2022 (Audited) \$
<i>Current liabilities</i>	-	
Lease liability	-	78,504
<i>Non-current liabilities</i>		
Lease liability	-	94,419
	-	172,923
<b>Lease Liability</b>		
Balance at January 1, 2022		241,805
Additions		
Payments towards leave		(82,209)
Accretion		13,086
Exchange differences		241
Balance at December 31, 2022		172,923
Payments towards lease		-
Accretion		-
Exchange Differences		-
Balance at September 30, 2023		-

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

**Note 11. Contract liabilities**

Contract liabilities (refer to Consolidated Statements of Financial Position) represents deferred revenue relating to server licenses of EYEfi's Spatial Video/SPARC platform deployed in Telstra data center, which have not yet been activated or configured for customer use. As part of the sale of subsidiary, there are no Contract Liabilities.

	9 Months Ended September 30, 2023 \$	December 31, 2022 (Audited) \$
Contract liabilities	-	333,961

**Sparc AI Inc.**  
**Expressed in Canadian Dollars**  
**Notes to the unaudited condensed interim consolidated financial statements**  
**For the nine months ended September 30, 2022 and 2021**

**Note 12. Issued capital**

	<b>September 30, 2023 Shares</b>	<b>December 31, 2022 Shares</b>	<b>September 30, 2023 \$</b>	<b>December 31, 2022 \$</b>
Common shares - fully paid	9,094,539	28,045,600	1,631,716	5,779,104
<i>Movements in common share capital</i>				
<b>Details</b>			<b>Shares</b>	<b>\$</b>
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				(242,314)
Issued capital of subsidiary sold				<u>(3,905,074)</u>
Balance at September 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.

		<b>September 30, 2023 \$</b>	
Warrants		<u>520,000</u>	
Expiry date	Exercise price	Remaining life (Years)	Warrants outstanding
June 30, 2026	\$0.75	<u>2.75</u>	<u>520,000</u>

**EYefi Group Technologies Inc.**  
**Expressed in Canadian Dollars**  
**Notes to the unaudited condensed interim consolidated financial statements**  
**For the nine months ended September 30, 2022 and 2021**

**Note 14. Loss per share**

	<b>3 Months Ended</b>		<b>9 Months Ended</b>	
	<b>September</b>	<b>September</b>	<b>September</b>	<b>September</b>
	<b>30, 2023</b>	<b>30, 2022</b>	<b>30, 2023</b>	<b>30, 2022</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Loss after income tax	<u>(10,000)</u>	<u>(248,849)</u>	<u>(129,652)</u>	<u>(728,866)</u>
	Number	Number	Number	Number
Weighted average number of common shares used in calculating basic earnings per share	9,094,539	27,784,062	9,094,539	27,636,666
	\$	\$	\$	\$
Basic and diluted loss per share	(0.00)	(0.01)	(0.01)	(0.03)

As the Company is in a loss position, the calculation of diluted loss per share does not include the effect of the exercise of options and warrants as they would be anti-dilutive.

**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 the 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 number 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 September 30, 2023, 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 and other receivables, trade and other payables, lease liabilities, contract liabilities, short-term and long-term employee benefits. 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, 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 Company 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.

[illegible]

## Note 16. Key management personnel

## Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	9 Months Ended September 30, 2022 \$	9 Months Ended September 30, 2022 \$
Salaries	-	391,474
Short-term benefits	-	44,927
Other-long term benefits		-
Post-employment benefits	-	30,809
Total short-term employee benefits		467,210

## Note 17. Stock Options

On June 30, 2023 the company issued 700,000 options to management. The options were valued using the Black Scholes method:

Strike price	0.15
Stock Price	0.15
Term	3.00
Risk-free interest rate	3.00
Dividend yield	0.00

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

Volatility 100%

The value of the options on issue as at September 30, 2023 is \$66,231. The remaining life of the options on issue is 2.75 years.

**Note 18 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
Net movement	76,310
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Net assets of EYEFI Group Technologies Inc, pre sale	(39,863)
Loss for the period	(4,167)
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Net assets of EYEFI Technologies Inc as at 30 June, 2023.	32,280

**Note 19 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 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.**

There were no subsequent events post September 30, 2023.