

# **Sparc AI Inc**

## **Unaudited Condensed Interim Consolidated Financial Statements – March 31, 2024**

**For the Three Months Ended March 31, 2024 and 2023**

(Unaudited)

(Expressed in Canadian Dollars)

**Sparc AI Inc.**

**Contents**

**Expressed in Canadian Dollars**

**Unaudited condensed interim consolidated statements of cash flows**

**For the three months ended March 31, 2024 and 2023**

Unaudited condensed interim consolidated statements of financial position	3
Unaudited condensed interim consolidated statements of profit or loss and other comprehensive income	4
Unaudited condensed interim consolidated statements of changes in equity	5
Unaudited condensed interim consolidated statements of cash flows	6
Notes to the unaudited condensed interim consolidated financial statements	7

**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 March 31, 2024**

	Note	March 31, 2024 \$	December 31, 2023 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		33,239	122,650
Trade and other receivables	7	11,309	7,095
Total current assets		<u>44,548</u>	<u>129,745</u>
<b>Non-current assets</b>			
Intangibles		25,498	26,854
Total non-current assets		<u>25,498</u>	<u>26,854</u>
<b>Total assets</b>		<u><b>70,046</b></u>	<u><b>156,599</b></u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		37,331	63,581
Total current liabilities		<u>37,331</u>	<u>63,581</u>
<b>Non-current liabilities</b>			
Short-term employee benefits		-	-
Total non-current liabilities		<u>-</u>	<u>-</u>
<b>Total liabilities</b>		<u><b>37,331</b></u>	<u><b>63,581</b></u>
<b>Equity</b>			
Issued capital	12	2,246,032	2,246,032
Contributed surplus		122,641	122,641
Accumulated deficit		<u>(2,335,958)</u>	<u>(2,275,655)</u>
Total equity		<u><u>32,715</u></u>	<u><u>93,018</u></u>
<b>Total liabilities and equity</b>		<u><b>70,046</b></u>	<u><b>156,599</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 months ended March 31, 2024 and 2022**

	Note	3 Months Ended March 31, 2024 \$	March 31, 2023 \$
<b>Revenue</b>			
Sales from rendering services	6	-	119,683
Cost of sales		-	(80,400)
Gross margin		-	39,293
Other income		-	530
Research and Development tax credits	8	-	75,545
<b>Expenses</b>			
Administration		(2,901)	(80,517)
Employee benefits expense		-	(111,641)
Depreciation and amortisation expense		(1,354)	(20,825)
Listing expenses		(13,947)	
R&D Expense		(42,100)	
Interest expense		-	(5,133)
Marketing		-	(6,579)
Share based payments			(21,672)
<b>Loss before income tax expense</b>		(60,202)	(133,009)
Income tax (expense)/benefit		-	-
<b>Loss after income tax expense for the period</b>		(60,202)	(133,099)
<b>Other comprehensive income/(loss)</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
<i>Foreign currency translation</i>		-	6,641
Other comprehensive income/(loss) for the period, net of tax		-	6,641
<b>Total comprehensive loss for the period</b>		<u>(60,302)</u>	<u>(126,368)</u>
Basic and diluted loss per share	14	\$(0.000)	\$(0.005)

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 months ended March 31, 2024 and 2023**

	Number of Shares	Issued Capital \$	Contributed Surplus \$	Capital raising costs \$	Equity Component of Convertible note \$	Cumulative translation adjustment \$	Share based Payments	Accumulated deficit \$	Total Equity \$
Balance at 1/1/2021	27,555,600	5,292,160	113,761		0	(60,015)	0	(5,405,126)	(59,220)
Loss for the year								(1,094,267)	(1,094,267)
Other comprehensive loss for the year						(9,203)			(9,203)
Exercise of Options	490,000	87,420	(38,420)						49,000
Warrants expired		399,524							399,524
Share based payments			189,864						189,864
Options expired			(103,788)					103,788	0
Convertible Loan equity					25,000				25,000
Recognition of deferred tax liability					(6,824)				(6,824)
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						(1)	122,641		122,640
Placement December 2023	3,389,777	372,002							372,002
Balance at 31/12/2023	12,484,316	2,246,032	0	0	0	(1)	122,641	(2,275,655)	93,018
Loss after income tax for the period								(60,304)	(60,304)
Balance at 31 March 2024	12,484,316	2,246,032	0	0	0	(1)	122,641	(2,335,958)	32,715

*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 three months ended March 31, 2024**

	Note	3 Months Ended March 31, 2024 \$	March 31, 2023 \$
<b>Cash flows from operating activities</b>			
Net Profit (Loss) for the period		(60,303)	(133,009)
<i>Adjustments for items not affecting cash:</i>			
Depreciation and amortisation	9	1,356	20,825
Accretion expense			5,955
Share based payments			
Interest expense from leases			2,792
Share based payment			21,672
		<hr/>	<hr/>
		58,947	(81,763)
<i>Net changes in non-cash working capital balances:</i>			
Decrease / (increase) in trade and other receivables		(4,214)	(2,451)
Decrease in prepayments			130
(Decrease) / increase in trade creditors and other payables		(26,250)	(252,294)
Research and development tax receivable	8		304,491
Decrease in contract liabilities			(24,401)
Increase/(decrease) in employee benefits			5,559
Profit on sale of Subsidiary company			-
		<hr/>	<hr/>
Net cash used in operating activities		(89,411)	(50,729)
<b>Cash flows from financing activities</b>			
Lease payments		-	(21,869)
Net proceeds from related party loans			77,017
		<hr/>	<hr/>
Net cash from/(used in) financing activities		-	55,148
Net increase/(decrease) in cash and cash equivalents		(89,411)	4,419
Cash and cash equivalents at the beginning of the financial period		122,650	146,979
Effects of exchange rate changes on cash and cash equivalents		-	1,460
		<hr/>	<hr/>
Cash and cash equivalents at the end of the financial period		<u>33,239</u>	<u>152,858</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 months ended March 31, 2024 and 2023**

**Note 1. Nature of operations and going concern**

Sparc AI Inc. (the "Company") was incorporated under the laws of the Province of British Columbia, Canada on October 4, 2018. The Company's registered office and principal place of business are: Registered Office #800-1281 W. Georgia Street, Vancouver BC, V6E 3J7 Canada and 91 Collins street, Melbourne, Australia. The Company became a Reporting Issuer on November 10, 2020. On December 4, 2020, the Company commenced trading on the Canadian Stock Exchange under the symbol "EGTI".

**Sale of EYEfi Pty Ltd**

The Group consisted of Sparc AI Inc and EYEfi Pty Ltd which was a 100% owned subsidiary company. EYEfi Pty Ltd owned the Sparc Patents and Algorithms (the Assets). Effective June 30, 2023, the Assets were transferred to Sparc AI Inc and EYEfi Pty Ltd was sold to six shareholders in the group. Commercially, the agreed value for the sale was \$5,042,659. The agreed terms of the sale were that the shareholders would hand back to treasury their shares in the Company and they would be cancelled. The total number of shares involved was 18,951,061 and at the time of sale, they were worth \$0.15 (attributing a value of \$2,842,659 to remaining shareholders). There is also a deferred consideration of \$2,200,000 consisting of a Promissory note. The Promissory note has certain conditions which may or may not require payment. The Promissory note has been classified as a contingent asset and has not been recorded to the Company's statement of financial position at December 31, 2023. When considering the negative net assets of the subsidiary company sold, the profit on sale of the subsidiary company was \$3,631,331.

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 Company's 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 net loss of \$60,304 (2023 loss - \$133,009) and had an accumulated deficit of \$2,335,958 (December 2023 - \$2,275,655). To date, the Company has funded operations through external financing and revenue from operations. The Company's ability to continue as a going concern is dependent upon its ability to achieve profitable operations in the future. These conditions indicate the existence of a material uncertainty that may cast significant doubt regarding the company's ability to continue as a going concern. The consolidated financial statements do not reflect adjustments that would be necessary if the going assumption was not appropriate. These adjustments could be material.

*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.

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:

**SPARC AI Inc**  
**Expressed in Canadian Dollars**  
**Notes to the unaudited condensed interim consolidated financial statements**  
**For the three months ended March 31, 2024 and 2023**

**Note 2. Basis of preparation (continued)**

- 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.

*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, 2023.

The principal accounting policies adopted are consistent with those of the financial year ended December 31, 2023 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**

	<b>3 Months Ended</b>	
	<b>March 31,</b>	<b>March 31,</b>
	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
IIoT Sensor Cloud	-	9,243
Spatial Video Platform	-	110,440
Revenue from rendering services	-	<u>119,683</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 three months ended March 31, 2024 and 2023.**

**Note 6. Revenue (continued)**

	<b>3 Months Ended</b>	
	<b>March 31, 2024</b>	<b>March 31 2023</b>
Major customer revenue contribution		-
Revenue portion of total service revenue		-
Telstra	-	83,635
Melbourne Water	-	36,048
	-	119,683

**Note 7. Trade and other receivables**

	<b>March 31 2024</b>	<b>December 31, 2023</b>
	<b>\$</b>	<b>\$</b>
<i>Current assets</i>		
Trade receivables	-	1,006
GST receivable	1,006	
	1,006	1,006

**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.

The Company is currently completing tax returns which will result in an R&D claim being made.

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

**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.

	<b>3 Months Ended March 31, 2024</b>
	<b>\$</b>
Contract liabilities	<u><u>308,345</u></u>

**Note 12. Issued capital**

	<b>March 31, 2024 Shares</b>	<b>December 31, 2023 Shares</b>
Common shares - fully paid	9,094,539	28,045,600

*Movements in common share capital*

<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)	
Issued capital of subsidiary sold		(3,905,074)
Placement December 2023	<u>3,389,777</u>	<u>372,002</u>
Balance at June 30, 2023	<u><u>12,484,316</u></u>	<u><u>2,246,032</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.

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

**Note 13. Warrants**

Warrants outstanding as at March 31, 2024 are summarized below:

	<b>Number of Warrants</b>
Balance of Warrants at December 31, 2021	4,400,000
Expired warrants	(4,400,000)
Issued	592,105
Balance of Warrants at December 31, 2022	592,105
Cancelled	(592,105)
Issued	520,000
Balance at December 31, 2023	520,000
Balance at March 31, 2024	520,000

The balance of the warrants outstanding and exercisable as at March 31 2024 was as follows:

Expiry date	Exercise price	Remaining life (Years)	Warrants outstanding
June 30, 2025	\$0.15	2.08	520,000

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

Stock price	0.15
Strike price	0.15
Term	2
Risk-free interest rate	3.35%
Dividend yield	-%
Volatility	98.57%

**Note 14. Loss per share**

	<b>March 31, 2024</b>	<b>March 31, 2023</b>
	<b>\$</b>	<b>\$</b>
Profit (Loss) after income tax attributable to the owners of Sparc AI Inc.	(60,304)	(133,009)
	Number	Number
Weighted average number of common shares used in calculating basic earnings per share	12,484,316	27,568,600
Weighted average number of common shares used in calculating diluted earnings per share	12,484,316	27,568,600
Basic and diluted loss per share	\$(0.00)	\$(0.00)

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

**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 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 March 31, 2024, 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.

*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 \$
<b>March 31, 2024</b>						
Trade and other payables	37,331					37,331
	<u>37,331</u>	<u></u>	<u></u>	<u></u>	<u></u>	<u>37,331</u>

**SPARC AI Inc**  
**Expressed in Canadian Dollars**  
**Notes to the unaudited condensed interim consolidated financial statements**  
**For the three months ended March 31, 2024 and 2023**

**Note 15. Financial instruments and risk management (continued)**

	0-30 Days	30-60 Days	60-90 Days	90-365 Days	1-5 Years	Total \$
<b>December 31, 2023</b>						
Trade and other payables	63,581					63,581
Facility loan payable						
Lease liabilities					,	
Related party loan payable						
	<u>63,581</u>					<u>63,581</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.

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

**Note 19. Stock options**

As at December 31, 2023, the Company had the following stock options outstanding and exercisable:

Expiry date	Weighted average exercise price \$	Weighted average remaining life (Years)	Options outstanding and exercisable
February 2, 2026	\$0.50	2.09	200,000
June 30, 2025	\$0.15	2.08	700,000

**Note 16 Loan Facility**

On June 30, 2023, the company entered into a loan agreement with Polygon Fund, owned by Anoosh Manzoori, Chief Executive Officer, and Accelerative Investments Pty Ltd., owned by Justin Hanka, Director, for a facility of \$200,000 in total (\$100,000 each).

The terms of the loan are as follows:

Interest rate	0%
Expiry Date	June 30, 2024
Warrant cover	260,000 warrants to be issued to each party

**Note 17 Subsequent events.**

There are no subsequent post March 31, 2024 to report.