

Sparc AI Inc (formally EYEfi Technologies Inc)

Management's Discussion and Analysis

For the quarter ended March 31, 2024

DISCLAIMER FOR FORWARD-LOOKING INFORMATION

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

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

These forward-looking statements reflect management's current views and are based on certain assumptions and speak only as of May 15, 2024 and, except as required by applicable law, the Sparc Group undertakes no obligation to update any forward-looking statement to reflect events or circumstances after

the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for management to predict all such factors and to assess in advance the impact of each such factor on the Sparc Group's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement. See "Risk Factors and Risk Management".

Overview

The following Management's Discussion and Analysis ("MD&A") provides additional analysis of the operations, financial position and financial performance of Sparc AI Inc ("Sparc") as a Consolidated Entity with its wholly-owned subsidiary, SPARC AI Pty Ltd ("SPARC AI") for the quarter ended March 31, 2024, ("Sparc Group" or "Consolidated Entity") and is dated May 15, 2024. The MD&A is presented in Canadian Dollars, which is the Sparc Group's functional and presentation currency. It is supplementary information and should be read in conjunction with the Sparc Group's consolidated financial statements and accompanying notes for the year ended December 31, 2024 and 2023.

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

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

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

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 29, 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 per share (attributing a value of \$2,842,659 to remaining shareholders). When bringing to account the negative net assets associate with the sale, the profit on sale of the subsidiary company was \$3,631,331. 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 March 31, 2024.

The profit on sale has been calculated as follows:

Number of shares returned to treasury	18,951,061
Share price at time of sale	\$0.15
Value of shares	2,842,659
Intercompany loan forgiven	39,699
Assets of the group, taken with the sale	(317,795)
Liability of the group, taken with the sale	1,020,018
Cumulative foreign translation	46,750
Profit on sale	3,631,331

The deconsolidation of the subsidiary company occurred effective June 29, 2023. Following the sale of EYEFi Pty Ltd the focus of the Company is on the further development of the SPARC technology.

Business of the Company

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

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

	2023 \$	2022 \$	2021 \$
Total Sales from Rendered Services	\$201,203	\$458,621	\$501,775
Gross Profit	\$66,420	\$39,077	(\$21,524)
Administration Expense	\$218,876	\$504,822	\$700,203
Comprehensive Income (loss) after tax	\$2,967,135	(\$1,094,267)	(\$1,372,506)

Overall Performance during the quarter ended March 31, 2024

The focus of SPARC AI for the quarter ended 31 March, 2024 was to further invest into the IP asset to enable it to be deployed into a wider offering.

The primary business is the development and commercialization of the SPARC IP and software. The Company has identified several use cases and has created the technical and product roadmap to embed the SPARC IP into a microchip. The microchip can be used to integrate into 3rd party products such as drones and camera devices. The Company has engaged a software and embedded systems engineering company to further develop the product including the development of a mobile application and embedding SPARC onto a microchip.

The investment is going very well with the algorithms proving to be able to detect distance and co-ordinates with a very high degree of accuracy. The company is making progress on microchip integration of the SPARC AI algorithms which will allow for deployment of the IP onto a variety of platforms and applications. The net loss for the quarter to March 31, 2024 for the group was \$60,302. Of this, \$42,100 represented expenditure on technical and engineering development.

The Company has cash at bank of \$33,239 as at March 31, 2024.

Intellectual Property

Sparc AI's International Patents

Sparc AI has registered patents in USA, Canada, China, Japan, South Korea, Australia and New Zealand. Sparc AI has also established large global resellers for its products. It is well positioned to expand its reseller network into new markets and also established licensing of its technology to large customers.

PATENT NUMBER	COUNTRY	APPLICANT/ASSIGNEE	TITLE	FILING/EXP DATE	STATUS
9,058,689	USA	EYefi Pty Ltd	SPATIAL PREDICTIVE APPROXIMATION AND RADIAL CONVOLUTION	16 June 2009/ 16 June 2029	Granted on 16 June 2015
2,727,687	Canada	EYefi Pty Ltd	SPATIAL PREDICTIVE APPROXIMATION AND RADIAL CONVOLUTION	16 June 2009/ 16 June 2029	Granted on 14 November 2017
ZL 20098013199.4	China	EYefi Pty Ltd	SPATIAL PREDICTIVE APPROXIMATION AND RADIAL CONVOLUTION	16 June 2009/ 16 June 2029	Granted on 25 December 2013
5575758	Japan	EYefi Pty Ltd	SPATIAL PREDICTIVE APPROXIMATION AND RADIAL CONVOLUTION	16 June 2009/ 16 June 2029	Granted on 11 July 2014
10-1663669	South Korea	EYefi Pty Ltd	SPATIAL PREDICTIVE APPROXIMATION AND RADIAL CONVOLUTION	16 June 2009/ 16 June 2029	Granted on 30 September 2016
2009260182	Australia	EYefi Pty Ltd	SPATIAL PREDICTIVE APPROXIMATION AND RADIAL CONVOLUTION	16 June 2009/ 16 June 2029	Granted on 10 March 2016
590428	New Zealand	EYefi Pty Ltd	SPATIAL PREDICTIVE APPROXIMATION AND RADIAL CONVOLUTION	16 June 2009/ 16 June 2029	Granted on 4 March 2014

The company is working on further developing its patents, core Intellectual Property (IP) and various algorithms and trade secrets and will be registering further trademarks as it commercialises products with Channel Partners in various regions around the globe.

Results of Operations

The consolidated entity made an operating loss of \$60,302 for the quarter ended March 31, 2024.

The quarterly operating income result is as follows:

	Quarter ended March	
	2024	2023
Revenue	0	119,683
Other income	0	76,075
Cost of Sales	0	(80,400)
Gross profit	0	115,358
Expenses		
Admin	(2,901)	(80,517)
Depreciation and Amort	(1,354)	(20,825)
Employee Salaries and benefits		(111,641)
Listing expense	(13,947)	
Finance costs		(5,113)
Investor relations		
Marketing		(6,579)
Systems engineering	(42,100)	
Share based payments		(21,672)
Total Expenses	(60,302)	(246,347)

Summary of information for the quarter ended March 31, 2024.

As discussed above, the focus for the quarter was to further invest into the IP of the company, which the \$42,100 above reflects.

	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
	2024	2023	2023	2023	2023	2022	2022	2022
			\$	\$	\$	\$	\$	\$
Sales from rendering services	0	0	0	7,445	193,758	147,102	65,852	88,259
Other income	0	0	0	0	0	4,766	6	26,954
Government Grants	0	0	0	0	0	95,442	93,375	93,805
Total Sales and other income	0	0	0	7,445	193,758	247,310	159,233	209,018
Exchange differences on translation income / (loss)	0	0	0	0	0	(13,383)	(5,339)	2,791
Net Comprehensive Income (Loss)	(60,302)	(262,697)	(10,000)	3,372,841	(133,009)	(365,284)	(248,749)	(238,908)
Per Share*		(0.021)	(0.001)	0.371	(0.005)	(0.01)	(0.01)	(0.01)
Per Share diluted*		(0.021)	(0.001)	0.371	(0.005)	(0.01)	(0.01)	(0.01)

Liquidity and Financial Position and Capital Resources

The Company has net equity of \$32,715 at the end of March 31, 2024 with cash reserves of \$33,239.

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). Under the terms of the agreement, 520,000 warrants were issued. The warrants have a 2-year term with an exercise price of \$0.15 each.

Related Party Transactions

As advised above, 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

Internal Controls

Disclosure controls and procedures

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

Internal controls over financial reporting

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

Outstanding Share Data

As mentioned above, as part of the sale of the subsidiary company, one of the terms of the sale was for the purchasers to hand back their shares in Sparc AI Inc to treasury and the shares would be cancelled. The total number of shares that were handed to treasury were 18,951,061. Shares outstanding at December 31, 2023 totalled 12,484,316.

Options

200,000 options were issued on February 2, 2023 to a contractor for services rendered. These options have a term of 3 years and an exercise price of \$0.50.
700,000 options were issued at June 30, 2023 having a 2-year term with an exercise price of \$0.15 each.

Warrants.

520,000 warrants issued at June 30, 2023 having a 2-year term with an exercise price of \$0.15 each. The warrants have been issued pursuant to the loan agreement with Polygon Fund and Accelerative investments, as outlined above.

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 book this to the balance sheet.

Events after the reporting period

No other matter or circumstance has arisen since December 31, 2023 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Risk Factors and Risk Management

Negative Cash Flows and Going Concern.

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

The Company's financial statements have been prepared on a going concern basis. The going concern basis of the presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize the carrying value of its assets and discharge its liabilities in the normal course of operations. As advised above, the Company incurred a loss for the year ended December 31, 2023, and as of that date has an accumulated deficit of \$2,275,655. The cash flow from operations is a negative 262,108. To date, the Company has funded operations through private placement 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 financial statements do not reflect adjustments that would be necessary if the going assumption was not appropriate. These adjustments could be material.

Risk Management

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

Technology Risk

The Sparc AI Group is dependent upon network communication or internetworking for product connectivity. The network communication defines a set of protocols allowing application programs to talk to each other without regard to the hardware and operating systems where they are run. A disruption in the internetworking would have a serious impact on the Sparc AI Group's services to its customers.

Cybersecurity Risk:

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

Competitive Risks

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

Legal and Regulatory Risks

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

Intellectual Property

The ability of the Sparc AI Group to maintain or increase sales will depend in part on its ability to maintain and grow its brand equity through the use of its registered domain names and intellectual property. A loss of any of these may result in the Sparc AI Group's brand equity being diminished and thus a loss of potential customers. As protection, the Sparc AI Group usually requires its employees and independent contractors to enter into confidentiality agreements, however, it cannot be assured that the obligations therein will be maintained and honored. In spite of confidentiality agreements and other methods of protecting trade secrets, the Sparc AI Group's proprietary information could become known to or independently developed by competitors.

Date and Other Available Information

Unless otherwise indicated, the information contained in this MD&A is as of 17 May, 2024.

Signed

'Anoosh Manzoori'

CEO