SPARC AI Inc

Unaudited Condensed Interim Consolidated Financial Statements – March 31,2025

For the Three Months Ended March 31, 2025 and 2024

(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, 2025 and 2024

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, 2025

	Note	March 31, 2025 $	December 31, 2024 $
Assets			
Current assets			
Cash and cash equivalents		121,693	8,133
Trade and other receivables	6	26,997	18,927
Total current assets		148,690	27,060
Non-current assets			
Equipment		17,623	18,515
Intangibles		20,074	21,430
Total non-current assets		37,697	39,945
Total assets		186,387	67,005
Liabilities			
Current liabilities			
Trade and other payables		14,647	38,885
Related party loans		-	64,918
Total current liabilities		14,647	103,803
Non-current liabilities		-	-
Short-term employee benefits		-	-
Total non-current liabilities		-	-
Total liabilities		14,647	103,803
Equity			
Issued capital	8	2,671,476	2,374,588
Contributed surplus		218,425	178,156
Cumulative translation adjustment		1,098	2,082
Accumulated deficit		(2,719,259)	(2,591,624)
Total equity		171,740	(36,798)
Total liabilities and equity		186,387	67,005

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, 2025 and 2024

	Note	3 Months Ended March 31, 2025 $	March 31, 2024 $
Revenue			
Sales from rendering services	6	-	-
Cost of sales		-	-
Gross margin		-	-
Other income		-	-
Research and Development tax credits		-	-
Expenses			
Administration		(70,143)	(2,901)
Employee benefits expense			-
Depreciation and amortisation expense		(3,264)	(1,354)
Listing expenses		(7,972)	(13,947)
R&D Expense		(5,987)	(42,100)
Share based payments		(40,269)	-
Loss before income tax expense		(127,635)	(60,202)
Income tax (expense)/benefit		-	-
Loss after income tax expense for the period		(127,635)	(60,202)
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss		1,099	-
Foreign currency translation		-	-
Other comprehensive income/(loss) for the period, net of tax		-	-
Total comprehensive loss for the period		(126,536)	(60,302)
Basic and diluted loss per share		$(0.010)	$(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, 2025 and 2024

	Number of Shares	Issued Capital $	Contributed Surplus $	Equity Component of Convertible note $	Cumulative translation adjustment $	Share based Payments	Accumulated deficit $	Total Equity $
Balance at 31/12/2022	28,045,600	5,779,104	161,417	18,176	(69,218)		(6,395,605)	(506,126)
Share based payments			21,672					21,672
Loss after income tax for the period							(664,196)	(664,196)
Translation of opening position			0		69,218			69,218
Sale of Subsidiary Co	(18,951,061)	(3,905,074)		(18,176)			991,398	(2,931,852)
Profit on Sale of Subsidiary							3,631,331	3,631,331
Calcellation of Options with the sale			(183,089)				161,417	(21,672)
Share based payments					0	122,641		122,641
Placement December 2023	3,389,777	372,002						372,002
Balance at 31/12/2023	12,484,316	2,246,032	0	0	0	122,641	(2,275,655)	93,018
Loss after income tax for the period							(315,969)	(315,969)
Other comprehensive income for the year					2,082			2,082
issue of shares on exercise of options and warrants	560,000	128,556				(44,556)		84,000
Issue of Warrants						100,071		100,071
Balance at 31 Dec 2024	13,044,316	2,374,588	0	0	2,082	178,156	(2,591,624)	(36,798)
Profit for the quarter							(127,635)	(127,635)
Other comprehensive income for the year					(984)			(984)
Placement	1,505,000	296,888				40,269		337,157
Balance at 31 March 2025	14,549,316	2,671,476	0	0	1,098	218,425	(2,719,259)	171,740

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, 2025

	Note	**3 Months Ended March 31, 2025 $**	**March 31, 2024 $**
Cash flows from operating activities			
Net Profit (Loss) for the period		(127,635)	(60,302)
Adjustments for items not affecting cash:			
Depreciation and amortisation	9	3,264	1,355
FX expense		(983)	
Interest expense from leases			
Share based payment		40,269	
			58,947
Net changes in non-cash working capital balances:			
Decrease / (increase) in trade and other receivables		(8,073)	(4,214)
Decrease in prepayments			
(Decrease) / increase in trade creditors and other payables		(24,237)	(26,250)
Payment for asset	8	(1,015)	
Net cash used in operating activities		(118,410)	(89,411)
Cash flows from financing activities			
Capital Raise		296,888	-
Net proceeds from related party loans		(64,918)	
Net cash from/(used in) financing activities		231,970	
Net increase/(decrease) in cash and cash equivalents		113,560	(89,411)
Cash and cash equivalents at the beginning of the financial period		8,113	122,650
Effects of exchange rate changes on cash and cash equivalents			-
Cash and cash equivalents at the end of the financial period		121,693	33,239

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

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".

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 $127,635 (2024 loss - $60,302) and had an accumulated deficit of $2,719,259 (December 2024 - $2,591,624). 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 March 31, 2025 and for the year ended December 31, 2024, 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.;
- 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.

Expressed in Canadian Dollars

Note 3. Summary of significant accounting policies

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

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

Note 4. Critical accounting judgements, estimates and assumptions

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

Note 5. Operating segments

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

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Note 6. Trade and other receivables

	March 31 2025 $	December 31, 2024 $
Current assets		
Trade receivables	-	-
GST receivable	26,997	18,927
	26,997	18,927

Expressed in Canadian Dollars

Note 7. 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.

Note 8. Issued capital

	March 31, 2025 Shares	December 31, 2024 Shares
Common shares - fully paid	14,549,316	13,044,317

Movements in common share capital

Details	Shares	$
Balance at January 1, 2023	28,045,601	5,779,104
Shares cancelled as part of the sale of subsidiary	(18,951,061)	
Issued capital of subsidiary sold		(3,905,074)
Placement December 2023	3,389,777	372,002
Balance at December 31, 2023	12,484,317	2,246,032
Shares issued on Exercise of options and warrants	560,000	128,556
Balance at December 31, 2024	13,044,317	2,376,588
Placement January 2025	1,505,000	296,888
Balance at March 31, 2025	14,549,316	2,671,476

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.

Expressed in Canadian Dollars

Note 9. Warrants

Warrants outstanding as at March 31, 2025 are summarized below:

	Number of Warrants
Balance of Warrants at December 31, 2022	592,105
Expired warrants	(592,105)
Issued	520,000
Balance of Warrants at December 31, 2023	520,000
Exercised	(260,000))
Issued	400,000
Balance at December 31, 2024	660,000
Issued January 31, 2025	1,529,000
Balance at March 31, 2025	2,189,000

The balance of the warrants outstanding and exercisable as at March 31 2025 was as follows:

Expiry date	Exercise price	Remaining life (Years)	Warrants outstanding
June 30, 2025	$0.15	0.50	260,000
August 31, 2026	$0.26	1.66	400,000
31 January 2026	$0.30	0.84	1,529,000

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

Stock price	0.15	0.23	0.31
Strike price	0.15	0.30	0.26
Term	2 years	1 year	2 years
Risk-free interest rate	3.35%	3.35%	3.12%
Dividend yield	-%	-%	-%
Volatility	50%	50%	50%

For the warrants issued January, 2025:

Note 10. Loss per share

	March 31, 2025 $	March 31, 2024 $		
Profit (Loss) after income tax attributable to the owners of SPARC AI Inc.	(127,635)	(60,304)		

	Number	Number
Weighted average number of common shares used in calculating basic earnings per share	13,281,453	12,484,316
Weighted average number of common shares used in calculating diluted earnings per share	13,281,453	12,484,316
Basic and diluted loss per share	$(0.010)	$(0.005)

Note 11. 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.

Expressed in Canadian Dollars

	0-30 Days	30-60 Days	60-90 Days	90-365 Days	1-5 Years	Total $
March 31, 2025						
Trade and other payables	14,647					14,647
	14,647					14,647

	0-30 Days	30-60 Days	60-90 Days	90-365 Days	1-5 Years	Total $
December 31, 2024						
Trade and other payables	37,331					37,331
Facility loan payable						
Lease liabilities					,	
Related party loan payable						
	37,331					37,331

There were no related transactions with related parties for the three months period ended March 31, 2025 for the Company.

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

Note 12. 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 12. Stock options

As at December 31, 2024, 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	1.09	200,000
June 30, 2025	$0.15	0.50	350,000

During the period, 50,000 options expiring June 30, 2025 were exercised.

Note 13 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 14 Subsequent events.

There are no subsequent events post March 31, 2025 to report.