

Form 51-102F3
Material Change Report

PART 2 CONTENT OF MATERIAL CHANGE REPORT

Item 1 Name and Address of Company

SPARC AI INC.
Level 8, 90 Collins Street
Melbourne, Victoria, Australia 3000

Item 2 Date of Material Change

July 22, 2025

Item 3 News Release

July 22, 2025 Filed on Sedar and published news release.

Item 4 Summary of Material Change

The Company announces plans to launch a new drone software solution and private placement and loan agreement.

Item 5 Full Description of Material Change

SPARC AI announce a transformative expansion into the commercial drone sector through the development of a groundbreaking, AI-powered product, currently in stealth mode. This strategic initiative builds on SPARC AI's expertise in drone software technology for Target Acquisition Systems while venturing into the broader drone software market to address diverse commercial applications.

While specific details remain under wraps due to the stealth nature of the project, the product leverages cutting-edge AI software platform to enable users to design, build, optimize, budget and launch drones at a pace never seen before. The platform also integrated dozens of sophisticated engineering tools including wind tunnel testing, battery degradation analysis, motor thrust performance analysis, crash analysis & component failure prediction to name a few. The platform will be sold under a software as a service model and made available to drone companies, commercial companies, military and drone enthusiast. It will also integrate SPARC AI's Target Acquisition System allowing companies to add the capability to their drone missions. Given the rapid progress in development, SPARC AI is preparing to launch the product next month, following rigorous testing to ensure reliability and performance.

SPARC AI's bold move into the commercial drone software market positions the Company to capitalize on the rapidly growing \$63 billion¹ global drone industry. SPARC AI aims to capture market share in high-growth sectors such as agriculture, logistics, infrastructure inspection, logistics, environmental monitoring and even drone racing. This strategic expansion diversifies revenue streams and accelerates market penetration through scalable solutions and shorter sales cycles. The platform could also strengthen SPARC AI's entry into the defence sector.

To fund the completion of this product development and its market launch, SPARC AI is conducting a non-brokered private placement offering of 1,000,000 units at \$0.15 per unit, raising

gross proceeds of \$150,000. Each unit consists of one common share and one common share purchase warrant, with each warrant exercisable at \$0.15 for a period of 24 months from the date of issuance. All securities issued under this offering will be subject to a statutory hold period of four months and one day from the issuance date. Notably, the Company's CEO, Anoosh Manzoori, is planning to subscribe to the placement shares, demonstrating strong confidence in SPARC AI's strategic direction.

In addition, SPARC AI has secured a \$225,000 loan agreement with CEO Anoosh Manzoori to support ongoing operations and product development. The loan is unsecured, carries no interest, and includes no fees or penalties. As part of the agreement, the Company will issue 1,500,000 warrants to the CEO, each exercisable at \$0.15 for a period of 24 months from the date of issuance.

1. <https://www.fortunebusinessinsights.com/commercial-drone-market-102171>

Item 6 **Reliance on subsection 7.1(2) or (3) of National Instrument 51-102**
N/A

Item 7 **Omitted Information**
No information has been omitted on the basis that it is confidential information.

Item 8 **Executive Officer**
Anoosh Manzoori– CEO
Telephone: +61.409 252 088
Email: anoosh@sparcai.net

Item 9 **Date of Report**
July 22, 2025