



**Sponsors  
One™**

## **SPONSORSONE INC.**

Unaudited Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2016 and 2015

(Stated in Canadian dollars – unless otherwise noted)

## **Notice of No Auditor Review of Interim Financial Statements**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim 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 and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

# SPONSORSONE INC.

(FORMERLY NEW INTERNATIONAL INFOPET SYSTEMS LTD.)

Condensed Interim Consolidated Statements of Financial Position  
(Unaudited)

	Note	June 30, 2016	December 31, 2015
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents		\$ 9,861	\$ 110
Other receivables	4	75,448	44,527
		<b>85,309</b>	<b>44,637</b>
Capital assets	5	129,388	137,175
Intangible assets	6	-	11,803
		<b>\$ 214,697</b>	<b>\$ 193,615</b>
<b>Liabilities and Shareholders' Deficit</b>			
<b>Current liabilities:</b>			
Accounts payable and accrued liabilities	7 & 14	\$ 2,517,303	\$ 2,034,769
Deferred revenue	10	32,292	-
Current portion of long-term debt	8	10,328	10,328
		<b>2,559,923</b>	<b>2,045,097</b>
<b>Long-term liabilities</b>			
Promissory note	9	51,488	-
Long-term debt	8	157,510	162,755
		<b>2,768,921</b>	<b>2,207,852</b>
<b>Shareholders' deficit</b>			
Share capital	11	4,374,868	4,333,909
Shares to be issued	11	232,616	232,616
Share-based payment reserve	12	623,150	593,389
Warrant reserve	13	861,924	861,924
Accumulated deficit		(8,646,782)	(8,036,075)
		<b>(2,554,224)</b>	<b>(2,014,237)</b>
		<b>\$ 214,697</b>	<b>\$ 193,615</b>

Nature of Operations and Going Concern – *Note 1*

Subsequent Event – *Note 18*

**Approved on behalf of the Board:**

"Myles Bartholomew"  
Director (Signed)

"Gary Bartholomew"  
Director (Signed)

The accompanying notes are an integral part of these unaudited condensed interim financial statements

# SPONSORSONE INC.

(FORMERLY NEW INTERNATIONAL INFOPET SYSTEMS LTD.)

Condensed Interim Consolidated Statements of Operations And Comprehensive Loss

For the three and six months ended June 30, 2016 and 2015

(Unaudited)

	Note	Three Months Ended June 30,		Six Months Ended June 30,	
		2016	2015	2016	2015
<b>Operating expenses:</b>					
Marketing, general and administrative		\$ 336,318	\$ 417,410	\$ 554,694	\$ 917,462
Research and development		48,924	56,250	71,424	155,000
Depreciation	5 & 6	3,669	39,554	19,589	79,107
Loss before finance expense		388,911	513,214	645,707	1,151,569
Finance expense		3,034	21,419	6,116	279,022
Gain on settlement of accounts payable	7	-	-	(41,116)	-
<b>Net loss and comprehensive loss</b>		<b>\$ 391,945</b>	<b>\$ 534,633</b>	<b>\$ 610,707</b>	<b>\$ 1,430,591</b>
Weighted average number of common shares		18,612,373	16,740,529	18,605,122	16,613,506
Loss per share - basic and diluted		\$ 0.02	\$ 0.03	\$ 0.03	\$ 0.09

The accompanying notes are an integral part of these unaudited condensed interim financial statements

# SPONSORSONE INC.

(FORMERLY NEW INTERNATIONAL INFOPET SYSTEMS LTD.)

Condensed Interim Consolidated Statements of Changes in (Deficiency) Equity

For the three and six months ended June 30, 2016 and 2015

(Unaudited)

	Number of common shares	Share capital	Shares to be issued	Warrants	Share-based payment reserve	Deficit	Total
Balance at December 31, 2015	18,597,870	\$ 4,333,909	\$ 232,616	\$ 861,924	\$ 593,389	\$ (8,036,075)	\$ (2,014,237)
Shares issued for debt settlement	45,510	40,959	-	-	-	-	40,959
Share-based payments	-	-	-	-	29,761	-	29,761
Net loss for the year	-	-	-	-	-	(610,707)	(610,707)
<b>Balance at June 30, 2016</b>	<b>18,643,380</b>	<b>\$ 4,374,868</b>	<b>\$ 232,616</b>	<b>\$ 861,924</b>	<b>\$ 623,150</b>	<b>\$ (8,646,782)</b>	<b>\$ (2,554,224)</b>

	Number of common shares	Share capital	Shares to be issued	Warrants	Share-based payment reserve	Deficit	Total
Balance at December 31, 2014	16,225,876	\$ 2,914,156	\$ 59,584	\$ 782,633	\$ 422,345	\$ (5,026,834)	\$ (848,116)
Shares issued for warrant exercise	231,669	148,283	(59,584)	-	-	-	88,699
Shares issued on private placement, net	350,000	218,209	-	79,291	-	-	297,500
Shares issued for debt settlement	312,768	251,679	-	-	-	-	251,679
Share-based payments	-	-	-	-	119,734	-	119,734
Net loss for the period	-	-	-	-	-	(1,430,591)	(1,430,591)
<b>Balance at June 30, 2015</b>	<b>17,120,313</b>	<b>\$ 3,532,327</b>	<b>\$ -</b>	<b>\$ 861,924</b>	<b>\$ 542,079</b>	<b>\$ (6,457,425)</b>	<b>\$ (1,521,095)</b>

The accompanying notes are an integral part of these unaudited condensed interim financial statements

# SPONSORSONE INC.

(FORMERLY NEW INTERNATIONAL INFOPET SYSTEMS LTD.)

Condensed Interim Consolidated Statements of Cash Flows

For the six months ended June 30,

(Unaudited)

	Note	2016	2015
<b>Cash flows from operating activities:</b>			
Net loss for the year		\$ (610,707)	\$ (1,430,591)
Adjustments for:			
Depreciation	5 & 6	19,589	79,107
Share-based compensation	11	29,761	119,734
Change in non-cash operating working capital			
Other receivables		1,371	200,077
Prepayments and deposits		-	(14,880)
Accounts payables and accrued liabilities		524,982	624,080
		<b>(35,004)</b>	<b>(422,473)</b>
<b>Cash flows from financing activities:</b>			
Proceeds from issuance of common shares, net	11	-	297,500
Proceeds from warrant exercise	12	-	150,585
Proceeds received from shares to be issued	11	-	(59,584)
Proceeds from promissory note	9	50,000	-
Payment of long-term debt	8	(5,245)	(4,881)
		<b>44,755</b>	<b>383,620</b>
<b>Cash flows from investing activities:</b>			
Investment		-	69
		-	69
<b>Increase (decrease) in cash and cash equivalents</b>		<b>9,751</b>	<b>(38,784)</b>
Cash and cash equivalents, beginning of period		110	56,891
<b>Cash and cash equivalents, end of period</b>		<b>\$ 9,861</b>	<b>\$ 18,107</b>

The accompanying notes are an integral part of these unaudited condensed interim financial statements

# SPONSORSONE INC.

(FORMERLY NEW INTERNATIONAL INFOPET SYSTEMS LTD.)

Notes to the Condensed Interim Consolidated Financial Statements – Unaudited

For the six month period ended June 30, 2016 and 2015

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## 1. NATURE OF OPERATIONS AND GOING CONCERN

### Nature of Operations

SponsorsOne Inc. (formerly New International Infopet Systems Ltd., or “Infopet”) (the “Company” or “SponsorsOne”) was incorporated under the laws of the Province of Ontario on March 9, 1965. The primary office is located at 1129 – 36 Blue Jays Way Toronto, ON M5V 3T3.

MXM Nation Inc. (“MXM”) was incorporated on February 2, 2005 under the Business Corporations Act of Ontario, Canada. On December 19, 2013, MXM completed a reverse takeover transaction of Infopet. For accounting purposes, MXM is considered the acquirer and Infopet the acquiree. Additional information on the transaction is available in Note 4.

The Company is an early stage technology company developing a cloud based social sponsorship platform. This cloud-based platform called “SponsorsCloud” is designed to connect and facilitate one-to-one engagement between corporations to users within social networks.

These consolidated financial statements were authorized by the Board of Directors of the Company on August 23, 2015.

### Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. The Company has experienced negative cash flows from operations since inception and has net loss for the period of \$610,707. As of June 30, 2016, the Company had a working capital deficit of \$2,474,614.

The Company has relied on financing from its shareholders and officers as well as equity raises to fund operations to date. Implementation of the Company’s business plan will require additional debt or equity financing and there can be no assurance that adequate funding will be available in the future, or available under terms favourable to the Company. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. These uncertainties cast significant doubt upon the Company’s ability to continue as a going concern. Management believes that it can raise sufficient funds to pay its ongoing administrative expenses and to meet its liabilities for the ensuing twelve months as they fall due.

Accordingly, these financial statements do not reflect adjustments or classifications which might be necessary if the Company was not able to continue as a going concern.

## 2. BASIS OF PRESENTATION

### *Basis of presentation*

These financial statements have been prepared on a historical cost basis except for certain financial instruments that are measured at fair value, as detailed in the Company’s accounting policies.

# SPONSORSONE INC.

(FORMERLY NEW INTERNATIONAL INFOPET SYSTEMS LTD.)

Notes to the Condensed Interim Consolidated Financial Statements – Unaudited

For the six month period ended June 30, 2016 and 2015

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## 2. BASIS OF PRESENTATION (continued)

### *Statement of Compliance*

The Company's condensed interim consolidated financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting". These condensed interim consolidated financial statements do not include all notes of the type normally included within the annual financial report and should be read in conjunction with the audited financial statements of the Company for the year ended December 31, 2015, which has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

### *Functional currency*

The Company and its subsidiary's functional currency, as determined by management, are Canadian dollars. These financial statements are presented in Canadian dollars.

### *Consolidation*

The financial statements of the Company include the accounts of the Company and its subsidiary. All intercompany transactions have been eliminated. Subsidiaries are consolidated from the date of acquisition, being the date on which the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent, using consistent accounting policies in all material respects.

### *Use of estimates and judgements*

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

## 3. SIGNIFICANT ACCOUNTING POLICIES

These condensed interim consolidated financial statements have been prepared following the same accounting policies used in the preparation of the audited financial statements of the Company for the year ended December 31, 2015.

## 4. OTHER RECEIVABLES

<i>As at June 30,</i>	<b>2016</b>	<b>2015</b>
HST recoverable	\$ 41,855	\$ 85,730
Other receivables	<b>1,300</b>	1,300
	<b>\$ 43,155</b>	<b>\$ 87,030</b>



# SPONSORSONE INC.

(FORMERLY NEW INTERNATIONAL INFOPET SYSTEMS LTD.)

Notes to the Condensed Interim Consolidated Financial Statements – Unaudited

For the six month period ended June 30, 2016 and 2015

## 5. CAPITAL ASSETS

	Computer equipment		Marketing vehicle		Total
<b>Cost</b>					
At December 31, 2015	\$	5,608	\$	219,596	\$ 225,204
Additions for the period		-		-	-
<b>Balance at June 30, 2016</b>	<b>\$</b>	<b>5,608</b>	<b>\$</b>	<b>219,596</b>	<b>\$ 225,204</b>

### Accumulated depreciation

At December 31, 2015	\$	5,159	\$	82,870	\$ 88,029
Expense for the period		449		7,338	7,787
<b>Balance at June 30, 2016</b>		<b>5,608.00</b>	<b>\$</b>	<b>90,208</b>	<b>\$ 95,816</b>

### Net book value

<b>At June 30, 2016</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>129,388</b>	<b>\$ 129,388</b>
At December 31, 2015	\$	449	\$	136,726	\$ 137,175

## 6. INTANGIBLE ASSETS

	System architecture and design		Patent applications		Customer lists		Application code, design, branding		Total
<b>Cost</b>									
At December 31, 2015	\$	200,000	\$	150,000	\$	25,000	\$	50,000	\$ 425,000
Additions		-		-		-		-	-
<b>Balance at June 30, 2016</b>	<b>\$</b>	<b>200,000</b>	<b>\$</b>	<b>150,000</b>	<b>\$</b>	<b>25,000</b>	<b>\$</b>	<b>50,000</b>	<b>\$ 425,000</b>

### Accumulated depreciation

At December 31, 2015	\$	194,447	\$	145,833	\$	24,303	\$	48,614	\$ 413,197
Expense for the year		5,553		4,167		697		1,386	11,803
<b>Balance at June 30, 2016</b>	<b>\$</b>	<b>200,000</b>	<b>\$</b>	<b>150,000</b>	<b>\$</b>	<b>25,000</b>	<b>\$</b>	<b>50,000</b>	<b>\$ 425,000</b>

### Net book value

<b>At June 30, 2016</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>-</b>	<b>\$ -</b>
At December 31, 2015	\$	5,553	\$	4,167	\$	697	\$	1,386	\$ 11,803

## 7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are comprised of the following:

<i>As at June 30,</i>	2016		2015	
Accounts payable	\$	2,265,782	\$	1,560,268
Accrued liabilities		251,520		160,000
	<b>\$</b>	<b>2,517,302</b>	<b>\$</b>	<b>1,720,268</b>

# SPONSORSONE INC.

(FORMERLY NEW INTERNATIONAL INFOPET SYSTEMS LTD.)

Notes to the Condensed Interim Consolidated Financial Statements – Unaudited

For the six month period ended June 30, 2016 and 2015

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## 8. LOANS PAYABLE

In February 2007, a company controlled by an officer of the Company entered into a loan agreement for the purchase of equipment. As the Company holds an exclusive use agreement over the equipment, which was obtained for the benefit of the Company, and the Company has agreed to pay for all reasonable costs associated with using and financing the equipment, the equipment and corresponding loan obligation are recorded on the Company's records. The loan amount was \$42,043, maturing February 2023 bearing interest at 6.69%. The loan was refinanced at 7.71% for another five years effective February 2012. The equipment serves as collateral for the loan. As at June 30, 2016, the balance of this loan was \$23,559 (2015 – \$26,186).

In March 2011, an officer of the Company entered into a loan agreement for the purchase of equipment. As the Company holds an exclusive use agreement over the equipment, which was obtained for the benefit of the Company, and the Company has agreed to pay for all reasonable costs associated with using and financing the equipment, the equipment and corresponding loan obligation are recorded on the Company's records. The loan amount was \$176,910, maturing February 2028 bearing interest at 7.64%. The loan was refinanced at 7.10% in August 2013, with the maturity date unchanged. The equipment serves as collateral for the loan. As at June 30, 2016, the balance of this loan was \$144,838 (2015 – \$151,956).

The following table summarizes the payments and interest payable for the next five years:

<i>As at June 30,</i>	<b>2016</b>	2015
Payments due within one year	<b>22,722</b>	22,722
Payments due years two to five	<b>90,888</b>	90,888
Total Interest paid	<b>50,512</b>	54,885

## 9. Promissory Note

On March 16, 2016, the Company signed a promissory note with a director for \$15,000. The note bears 15% per annum and payable on the date when the Company completes an equity financing of no less than \$150,000 of equity capital. The holder has an option to convert the principal and interest on the same terms as the equity financing and settle with common shares and warrants. As at June 30, 2016, the Company accrued \$653 (2015 – Nil) of interest.

On May 3, 2016, the Company signed a promissory note for \$35,000. The note bears 15% per annum and payable on the date when the Company completes an equity financing of no less than \$150,000 of equity capital. The holder has an option to convert the principal and interest on the same terms as the equity financing and settle with common shares and warrants. As at June 30, 2016, the Company accrued \$834 (2015 – Nil) of interest.

## 10. DEFERRED REVENUE

SponsorsCloud revenues are generally deferred and recognized over the term of the related agreement and deferred revenue are recognized once the project has been delivered to clients.

# SPONSORSONE INC.

(FORMERLY NEW INTERNATIONAL INFOPET SYSTEMS LTD.)

Notes to the Condensed Interim Consolidated Financial Statements – Unaudited

For the six month period ended June 30, 2016 and 2015

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## 11. SHARE CAPITAL

### *Authorized:*

The Company is authorized to issue an unlimited number of common shares with no par value.

### *Issued:*

- (i) During the year-ended December 31, 2015, 231,669 warrants were exercised for gross proceeds of \$148,283.
- (ii) During the reporting period, the Company issued 885,710 common shares to settle \$581,922 of debt. The Company recorded a gain of \$71,430 for these settlements.
- (iii) On August 19, 2015, as part of the acquisition of NFU Inc., the Company issued 904,615 common shares representing 70% of the share consideration to the former owner of NFU Inc. and recorded the amount as consulting expense in accordance with IFRS 2. The shares to be issued is valued at \$232,616 representing 30% of the remaining consideration. The remaining consideration is contingent on reaching certain operational targets.
- (iv) On June 1, 2015, the Company issued 350,000 common shares on the closing of a private placement for gross proceeds of \$297,500. The Company issued 350,000 warrants with a fair market value of \$79,291.
- (v) In May 2014, 553,805 Units were issued on this private placement for gross proceeds of \$470,680. The Company paid \$36,060 cash in commission and issued 19,648 broker warrants with a fair market value of \$9,059. The fair market value of the 296,550 warrants issued is \$100,384.
- (vi) During the year ended December 31, 2014, 1,958,334 warrants were exercised for common shares for gross proceeds of \$643,000. \$284,579 was transferred from the Warrant reserve to share capital with respect to this warrant exercise. Shares to be issued with a fair value of \$59,584 at December 31, 2014 was used as part of this warrant exercise.
- (vii) During the year ended December 31, 2014, the Company issued 291,414 common shares to settle \$254,075 of debt.

## 12. SHARE-BASED PAYMENT RESERVE

### *Share Option Plan*

The Board of Directors of the Company adopted a stock option plan (the "Plan") whereby the aggregate number of common shares reserved for issuance under the Plan, including common shares reserved for issuance under any other share compensation arrangement granted or made available by the Company from time to time, may not exceed 15% of the Company's issued and outstanding common shares. The Plan is administered by the Board of Directors and grants made pursuant to the Plan must at all times comply with the policies of the Canadian Stock Exchange and the Plan.

The terms of any options granted under the Plan are fixed by the Board of Directors and may not exceed a term of ten years. The exercise price of the options granted under the Plan is set at the last closing price of the Company's common shares before the date of grant.

# SPONSORSONE INC.

(FORMERLY NEW INTERNATIONAL INFOPET SYSTEMS LTD.)

Notes to the Condensed Interim Consolidated Financial Statements – Unaudited

For the six month period ended June 30, 2016 and 2015

## 12. SHARE-BASED PAYMENT RESERVE (continued)

Each employee share option converts into one common share of the Company on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The fair value of the Company's stock options issued was estimated using the Black-Scholes model using the following assumptions:

A summary of the change in the Company's stock options is as follows:

	Weighted Average Exercise Price	Number of Options
Balance – December 31, 2015	\$ 0.48	1,410,000
Granted – April 28, 2016	0.15	75,000
Expired	0.60	(100,000)
<b>Balance – June 30, 2016</b>	<b>\$ 0.42</b>	<b>1,385,000</b>

During the six month period ended June 30, 2016. The Company granted 75,000 stock options with an exercise price of \$0.15 per share for a period of 10 years from the date of grant. For the period ended June 30, 2016, \$29,760 of stock-based compensation expense was recorded for the fair value of stock options vested (2015 –\$119,734).

The following table summarizes the exercise price of outstanding and exercisable stock options as at June 30, 2016:

Range of exercise prices	Number of options	Weighted average remaining life (years)	Vested and exercisable
\$0.15 - \$0.30	1,010,000	7.51	875,000
\$0.31 - \$0.90	125,000	8.85	12,500
\$0.91 - \$1.00	250,000	7.70	47,500
\$0.00 - \$1.00	1,385,000	7.66	935,000

The fair values of the stock options issued in 2016 were estimated using the Black-Scholes option pricing model with the following assumptions:

	April 28, 2016	
<b>Assumptions</b>		
Volatility - estimate based on comparable companies		100%
Risk-free interest rate		1.48%
Expected life (years)		10.00
Dividend yield		Nil
Forfeiture rate		0%
Exercise price	\$	0.15
Share price	\$	0.18

# SPONSORSONE INC.

(FORMERLY NEW INTERNATIONAL INFOPET SYSTEMS LTD.)

Notes to the Condensed Interim Consolidated Financial Statements – Unaudited

For the six month period ended June 30, 2016 and 2015

## 12. SHARE-BASED PAYMENT RESERVE (continued)

The fair values of the stock options issued in 2015 were estimated using the Black-Scholes option pricing model with the following assumptions:

	July 2, 2015	January 19, 2015
<b>Assumptions</b>		
Volatility - estimate based on comparable companies	100%	100%
Risk-free interest rate	1.74%	1.53%
Expected life (years)	10.00	10.00
Dividend yield	Nil	Nil
Forfeiture rate	0%	0%
Exercise price	\$ 0.60	\$ 0.89
Share price	\$ 0.65	\$ 0.90

## 13. WARRANT RESERVE

The following is a summary of warrants:

Expiry date	Balance, December 31, 2015	Granted	Exercised	Expired or retracted	Balance, June 30, 2016	Weighted average exercise price
July 4, 2016 (a)	265,250	-	-	-	265,250	\$1.10
August 28, 2016 (b)	6,300	-	-	-	6,300	\$1.10
July 4, 2016 (c)	25,000	-	-	-	25,000	\$1.10
June 1, 2017 (d)	450,667	-	-	-	350,000	\$1.10
<b>Total</b>	<b>646,550</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>646,550</b>	<b>\$1.10</b>

- (a) As part of the equity raise in 2014, the Company issued 270,602 warrants and 19,648 broker warrants. Each warrant is exercisable into one common share at an exercise price of \$1.10 for a period of two years from the date of the issuance.
- (b) As part of the equity raise in 2014, the Company issued 6,300 warrants. Each warrant is exercisable into one common share at an exercise price of \$1.10 for a period of two years from the date of the issuance.
- (c) On November 5, 2014, 25,000 warrants were issued as a replacement for the same amount of warrants retracted during the year ended December 31, 2014.
- (d) On June 1, 2015, 350,000 warrants were issued as part of the private placement.

## 14. LOSS PER SHARE

The calculation of basic and diluted loss per share for the period ended June 30, 2016 was based on the loss attributable to common shareholders of \$610,707 (2015 – \$1,430,591) and the weighted average number of common shares outstanding of 18,605,122 (2015 – 16,613,506). Diluted loss per share did not include the effect of 1,385,000 stock options (2015 – 1,410,000) and 646,550 (2015 – 4,846,316) as they are anti-dilutive.

# SPONSORSONE INC.

(FORMERLY NEW INTERNATIONAL INFOPET SYSTEMS LTD.)

Notes to the Condensed Interim Consolidated Financial Statements – Unaudited

For the six month period ended June 30, 2016 and 2015

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## 15. RELATED PARTY TRANSACTIONS

During the period ended June 30, 2016 key management compensation was \$358,660 (2015 - \$412,182). Management compensation has been included in the following expense accounts:

<i>June 30,</i>	<u>2016</u>		2015	
Consulting fees	\$	330,000	\$	330,000
Accounting fees		18,000		40,000
Share-based compensation		10,660		42,182
	\$	358,660	\$	412,182

As at June 30, 2016 included in accounts payable and accrued liabilities is \$1,407,639 (2015 – \$673,307) due to related parties for consulting services.

## 16. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS

### *Fair Value*

The Company has determined that the carrying values of other receivables, short term investments, accounts payable and accrued liabilities and due to shareholder approximates their fair values due to the current nature of these instruments. The fair value of long-term debt is based on the discounted value of future cash flows under the current financial arrangements at the interest rate the Company expects to currently negotiate for loans with similar terms and conditions and maturity dates. The fair value of long-term debt approximates its carrying value due to the current market rates.

### *Credit Risk*

Credit risk is the risk of financial loss to the Company if a counter party to a financial instrument fails to meet its payment obligations. The Company is exposed to credit risk with respect to its cash and cash equivalents and other receivables.

The Company's credit risk is primarily attributable to cash and HST recoverable. Management believes that the credit risk with respect to cash is remote as it maintains accounts with highly rated financial institutions and the Government of Canada.

### *Liquidity Risk*

Liquidity risk is the risk that the Company will encounter difficulty in satisfying its financial obligations. The Company manages its liquidity risk by forecasting its operations and anticipating its operating and investing activities.

As described in note 1, the Company has disclosed certain conditions which may cast doubt about its ability to continue as a going concern.

### *Market Risk*

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk.

### *Interest rate risk*

Interest rate risk consists of a) the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, and b) to the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

# SPONSORSONE INC.

(FORMERLY NEW INTERNATIONAL INFOPET SYSTEMS LTD.)

Notes to the Condensed Interim Consolidated Financial Statements – Unaudited

For the six month period ended June 30, 2016 and 2015

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## 16. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (continued)

Due to the short-term nature of the Company's financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values. The Company's long term debt has a fixed rate of interest, which are not up for renewal until 2023 and 2028 respectively.

### *Foreign currency risk*

The Company is not exposed to any significant foreign currency risk.

### *Other price risk*

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is not exposed to significant other price risk.

## 17. CAPITAL MANAGEMENT

The Company's objectives when managing capital, defined as shareholders' equity (currently a deficiency), are to safeguard the Company's ability to continue as a going concern (note 1) in order to maintain a flexible capital structure that optimizes the costs of capital at an acceptable risk.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt or acquire or dispose of assets.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company's investment policy is to invest its short-term excess cash in highly liquid short-term interest bearing investments with maturities of 365 days or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations.

There have been no changes to the Company's approach to capital management during the period ended June 30, 2016. The Company is not subject to externally imposed capital requirements.

## 18. SUBSEQUENT EVENT

### *Private Placement*

On July 5, 2016, the Company completed a private placement for gross proceeds of \$248,000 through the issuance of 1,653,333 units (the "Units") of the Company at a price of \$0.15 per Unit. Each Unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one additional common share exercisable for a period of 24 months from the closing of the private placement at an exercise price of \$0.15 per common share.

### *Stock Options*

Subsequent to June 30, 2016, the Company granted an aggregate of 500,000 stock options to purchase common shares of the Company exercisable at a price \$0.31 per share until May 29, 2025 to certain directors, officers and consultants.