



**Sponsors  
One™**

# **SPONSORSONE INC.**

**Consolidated Financial Statements**

**Years ended December 31, 2017 and 2016**

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of SponsorsOne Inc. (the "Company") are the responsibility of management and the Board of Directors of the Company.

The consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Financial Reporting Standards using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

"Myles Bartholomew" (signed)  
Myles Bartholomew, CEO

"Arvin Ramos" (signed)  
Arvin Ramos, CFO

## Independent Auditors' Report

---

To the Shareholders of SponsorsOne Inc.:

We have audited the accompanying consolidated financial statements of SponsorsOne Inc., which comprise the consolidated statement of financial position as at December 31, 2017 and 2016, and the consolidated statements of operations and comprehensive of loss, changes in deficit and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of SponsorsOne Inc. as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

### *Emphasis of Matter*

Without modifying our opinion, we draw attention to Note 1 to the consolidated financial statements which highlights the existence of a material uncertainty relating to conditions that cast significant doubt on SponsorsOne Inc.'s ability to continue as a going concern.

*MNP LLP*

March 16, 2018  
Toronto, Ontario

Chartered Professional Accountants  
Licensed Public Accountants

**MNP**  
LLP

# SPONSORSONE INC.

Consolidated Statements of Financial Position  
As at December 31,

	Note	2017	2016
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents		\$ 60,460	\$ 43
Other receivables	3	36,065	71,125
		<b>96,525</b>	<b>71,168</b>
Capital assets	4	107,374	122,050
		<b>\$ 203,899</b>	<b>\$ 193,218</b>
<b>Liabilities and Shareholders' Deficit</b>			
<b>Current liabilities:</b>			
Accounts payable and accrued liabilities	6 & 14	2,228,768	1,870,146
Current portion of long-term debt	7	137,695	166,047
Promissory note	8	-	16,788
		<b>2,366,463</b>	<b>2,052,981</b>
<b>Shareholders' deficit</b>			
Share capital	9	5,075,467	5,009,439
Shares subscribed but not issued	9	90,000	-
Shares to be issued	9	232,616	232,616
Share-based payment reserve	10	804,799	712,825
Warrant reserve	11	1,266,525	1,215,024
Accumulated deficit		(9,631,971)	(9,029,667)
		<b>(2,162,564)</b>	<b>(1,859,763)</b>
		<b>\$ 203,899</b>	<b>\$ 193,218</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)

# SPONSORSONE INC.

Consolidated Statements of Operations and Comprehensive Loss  
Year ended December 31,

	Note	2017	2016
<b>Operating expenses:</b>			
Marketing, general and administrative	\$	561,074	\$ 922,483
Research and development		4,250	116,424
Depreciation	4 & 5	14,676	26,927
Loss before finance expense		580,000	1,065,834
Finance expense		22,304	8,055
Gain on settlement of accounts payable		-	(80,297)
<b>Net loss and comprehensive loss</b>	<b>\$</b>	<b>602,304</b>	<b>\$ 993,592</b>
Weighted average number of common shares		26,958,498	21,001,042
Loss per share - basic and diluted	\$	0.02	\$ 0.05

# SPONSORSONE INC.

Consolidated Statements of Changes in Deficit  
Year ended December 31, 2016 and 2015

	Number of common shares	Share capital	Shares to be issued	Shares subscribed but not issued	Warrants	Share-based payment reserve	Deficit	Total
Balance at December 31, 2016	25,434,164	\$ 5,009,439	\$ 232,616	\$ -	\$ 1,215,024	\$ 712,825	\$ (9,029,667)	\$ (1,859,763)
Shares issued on private placement, net	2,000,000	100,000	-	-	-	-	-	100,000
Shares issued for debt settlement	350,548	17,529	-	-	-	-	-	17,529
Shares subscribed but not issued	-	-	-	90,000	-	-	-	90,000
FMV of warrants issued	-	(51,501)	-	-	51,501	-	-	-
Share-based payments	-	-	-	-	-	91,974	-	91,974
Net loss for the year	-	-	-	-	-	-	(602,304)	(602,304)
<b>Balance at December 31, 2017</b>	<b>27,784,712</b>	<b>\$ 5,075,467</b>	<b>\$ 232,616</b>	<b>\$ 90,000</b>	<b>\$ 1,266,525</b>	<b>\$ 804,799</b>	<b>\$ (9,631,971)</b>	<b>\$ (2,162,564)</b>

	Number of common shares	Share capital	Shares to be issued	Shares subscribed but not 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 on private placement, net	1,653,333	248,000	-	-	-	-	-	248,000
Shares issued for debt settlement	5,182,961	780,630	-	-	-	-	-	780,630
FMV of warrants issued	-	(353,100)	-	-	353,100	-	-	-
Share-based payments	-	-	-	-	-	119,436	-	119,436
Net loss for the period	-	-	-	-	-	-	(993,592)	(993,592)
<b>Balance at December 31, 2016</b>	<b>25,434,164</b>	<b>\$ 5,009,439</b>	<b>\$ 232,616</b>	<b>\$ -</b>	<b>\$ 1,215,024</b>	<b>\$ 712,825</b>	<b>\$ (9,029,667)</b>	<b>\$ (1,859,763)</b>

The accompanying notes are an integral part of these consolidated financial statements

# SPONSORSONE INC.

Consolidated Statements of Cash Flows  
Year ended December 31,

	Note	2017	2016
<b>Cash flows from operating activities:</b>			
Net loss for the year		\$ (602,304)	\$ (993,592)
Adjustments for:			
Depreciation	4 & 5	14,676	26,927
Share-based compensation	10	91,974	119,436
Change in non-cash operating working capital			
Other receivables		35,060	(26,598)
Accounts payables and accrued liabilities		331,011	582,796
		<b>(129,583)</b>	<b>(291,031)</b>
<b>Cash flows from financing activities:</b>			
Proceeds from issuance of common shares, net	9	100,000	248,000
Proceeds received from shares subscribed but not issued	9	90,000	-
Proceeds from promissory note	9	-	50,000
Payment of long-term debt	7 & 8	-	(7,036)
		<b>190,000</b>	<b>290,964</b>
<b>Increase (decrease) in cash and cash equivalents</b>		<b>60,417</b>	<b>(67)</b>
Cash and cash equivalents, beginning of year		43	110
<b>Cash and cash equivalents, end of year</b>		<b>\$ 60,460</b>	<b>\$ 43</b>

The accompanying notes are an integral part of these consolidated financial statements

# **SPONSORSONE INC.**

**(FORMERLY NEW INTERNATIONAL INFOPET SYSTEMS LTD.)**

Notes to the Consolidated Financial Statements

Year ended December 31, 2017 and 2016

---

## **1. NATURE OF OPERATIONS AND GOING CONCERN**

### **Nature of Operations**

SponsorsOne Inc. (the "Company" or "SponsorsOne") was incorporated under the laws of the Province of Ontario on March 9, 1965. The primary office is located at 400 – 365 Bay Street, Toronto, ON M5H 2V1.

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.

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 March 16, 2017.

### **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 year of \$602,304. As of December 31, 2017, the Company had a working capital deficit of \$2,269,938.

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 consolidated 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. SIGNIFICANT ACCOUNTING POLICIES**

### **a) Statement of Compliance with International Financial Reporting Standards**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the Interpretations of the IFRS Interpretations Committee ("IFRIC").

### **b) Basis of presentation**

These consolidated financial statements have been prepared on a historical cost basis.



# SPONSORSONE INC.

Notes to the Consolidated Financial Statements  
Years ended December 31, 2017 and 2016

---

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### c) Functional currency

The Company and its subsidiary's functional and reporting currency as determined by management, is the Canadian dollar.

### d) Basis of consolidation

The consolidated financial statements of the Company include the accounts of the Company and its wholly-owned subsidiaries, MXM and NFU Inc. All intercompany balances and transactions have been eliminated. Subsidiaries are consolidated from the date of acquisition, being the date on which the Company has 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 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.

### e) Use of estimates and judgments

The preparation of these consolidated financial statements requires management to make certain judgments, estimates and assumptions about the carrying amounts of assets and liabilities, revenue and expenses. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. 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.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to, impairment of assets and the useful life of capital and intangible assets.

### f) Standards issued but not yet effective

IFRS 9 Financial Instruments ("IFRS 9") covers the classification and measurement of financial assets and financial liabilities and the effective date is for annual periods on or after January 1, 2018, with earlier application permitted. The Company is still assessing the impact of adopting IFRS 9. Amendments to IFRS 9 also provide relief from the requirement to restate comparative financial statements for the effect of applying IFRS 9. Instead, additional transition disclosures will be required to help investors understand the effect that the initial application of IFRS 9 has on the classification and measurement of financial instruments. The Company assessed this new standard and there will be no significant impact to the consolidated financial statements when adopted.

IFRS 15 Revenue from Contracts with Customers ("IFRS 15"). In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers. IFRS 15 specifies how and when to recognize revenue as well as requires entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18, Revenue, IAS 11, Construction Contracts, and a number of revenue-related interpretations. Application of the standard is mandatory for all IFRS reporters and it applies to nearly all contracts with customers: the main exceptions are leases. The Company assessed this new standard and there will be no significant impact to the consolidated financial statements when adopted.

# SPONSORSONE INC.

Notes to the Consolidated Financial Statements  
Years ended December 31, 2017 and 2016

---

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### f) Standards issued but not yet effective (continued)

IFRS 16, Leases (“IFRS 16”) was issued on January 13, 2016. The new standard brings most leases onto the balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The Company is currently evaluating the impact of IFRS 16 on its consolidated financial statements.

### g) Foreign currency translation

Transactions in foreign currencies other than the functional currency are translated into the functional currency using the exchange rates prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the period end exchange rate with the resulting gains and losses being recognized in the consolidated statements of operations and comprehensive loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are not retranslated.

### h) Capital assets

The Company records equipment at cost and provides for depreciation over the useful life of the assets using the straight-line method over two years for computer and office equipment and 15 years for marketing vehicle.

In the year of disposal, the resulting gain or loss is included in the statements of operations and comprehensive loss and the cost of the equipment retired or otherwise disposed and the related accumulated depreciation are eliminated from these accounts.

### i) Research and development costs

Research costs are expensed as incurred. The Company has not capitalized development expenditures to date. An intangible asset may be recognized in future periods if the Company can demonstrate:

- the technical feasibility of completing the intangible asset so it will be available for use or sale;
- its intention to complete and its ability to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete the asset; and
- the ability to measure reliably of the expenditure during development.

### j) Intangible assets

Intangible assets consist of system architecture and design, patent applications, customer lists, and application code, design and branding. The Company carries intangible assets with finite useful lives that it acquires separately at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized over their useful lives, on the straight-line basis over 3 years.

The Company reviews the estimated useful life and amortization method at the end of each reporting period, accounting for the effect of any changes in estimate on a prospective basis.

# SPONSORSONE INC.

Notes to the Consolidated Financial Statements  
Years ended December 31, 2017 and 2016

---

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### k) Share-based compensation

The Company grants stock options to acquire common shares of the Company to directors, officers and employees. The Board of Directors grants such options for periods of up to ten years, with vesting periods determined at its sole discretion and at exercise prices equal to or greater than the closing market price on the day preceding the date the options were granted.

The fair value of the options for employee services is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the vesting period of the options using the graded vesting method. The fair value is recognized as an expense with the corresponding increase in equity. The amount recognized as expense is adjusted to reflect the number of share options expected to vest.

Where the terms of a stock option are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based compensation arrangement, or is otherwise beneficial to the employee as measured at the date of modification over the remaining vesting period.

Share-based payments for non-employee services are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received.

### l) Loss per share

Basic loss per share is calculated using the weighted-average number of common shares outstanding during the year. Diluted loss per share is computed using the treasury stock method. Stock options and warrants outstanding are not included in the computation of diluted loss per share if their inclusion would be anti-dilutive.

### m) Income tax

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in profit or loss except to the extent that they relate to items recognized directly in equity or other comprehensive income.

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in profit or loss or in equity depending on the item to which the adjustment relates.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

# SPONSORSONE INC.

Notes to the Consolidated Financial Statements  
Years ended December 31, 2017 and 2016

---

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### n) Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

#### *Financial assets*

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

**Fair value through profit or loss** - This category comprises derivatives, or financial assets acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statements of financial position at fair value with changes in fair value recognized in profit or loss. The Company classifies its cash as fair value through profit or loss.

**Loans and receivables** - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets or non-current assets based on their maturity dates. They are initially recognized at fair value and subsequently carried at amortized cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. The Company classifies its other receivables and investments as loans and receivables.

**Held-to-maturity investments** - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are initially recognized at fair value and subsequently are measured at amortized cost using the effective interest rate method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss.

**Available-for-sale** - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in other comprehensive income, within equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in profit or loss.

Transaction costs associated with fair value through profit or loss financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

All financial assets, except for those at fair value through profit or loss, are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that the future cash flows associated with a financial asset or a group of financial assets have been negatively impacted. Different criteria to determine impairment are applied for each category of financial assets described above.

# SPONSORSONE INC.

Notes to the Consolidated Financial Statements  
Years ended December 31, 2017 and 2016

---

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### *Financial liabilities*

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired.

Fair value through profit or loss – this category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

Other financial liabilities – items in this category are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis. The Company classifies its accounts payable and accrued liabilities as other financial liabilities.

### *Impairment of financial assets*

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

### **o) Impairment of non-financial assets**

The Company reviews its tangible and intangible assets for indications of impairment at the end of each reporting period or when events or changes in circumstances indicate that the carrying amount may not be recoverable. If any indication of impairment exists, the asset's recoverable amount is estimated. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash generating unit ("CGU") to which the assets belong. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets.

An impairment loss is recognized when the carrying amount of an asset, or its CGU, exceeds its recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use. In determining the value in use, the expected future cash flows from the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognized in profit or loss. Where an impairment loss subsequently reverses the carrying amount of the asset or CGU is increased by the revised estimate of its recoverable amount but not beyond the carrying amount that would have been determined had no impairment loss been recognized for the asset in the prior periods. A reversal of such impairment loss is also recognized in profit or loss.

No impairment of non-financial assets have been recorded for the years ended December 31, 2017 or 2016.

# SPONSORSONE INC.

Notes to the Consolidated Financial Statements  
Years ended December 31, 2017 and 2016

## 3. OTHER RECEIVABLES

<i>As at December 31,</i>	2017	2016
HST recoverable	\$ 34,765	\$ 69,825
Other receivables	1,300	1,300
	\$ 36,065	\$ 71,125

## 4. CAPITAL ASSETS

	Computer equipment	Marketing vehicle	Total
<b>Cost</b>			
At December 31, 2015	\$ 5,608	\$ 219,596	\$ 225,204
Additions for the year	-	-	-
At December 31, 2016	\$ 5,608	\$ 219,596	\$ 225,204
Additions for the year	-	-	-
<b>Balance at December 31, 2017</b>	<b>\$ 5,608</b>	<b>\$ 219,596</b>	<b>\$ 225,204</b>
<b>Accumulated depreciation</b>			
At December 31, 2015	\$ 5,159	\$ 82,870	\$ 88,029
Expense for the year	449	14,676	15,125
At December 31, 2016	\$ 5,608	\$ 97,546	\$ 103,154
Expense for the year	-	14,676	14,676
<b>Balance at December 31, 2017</b>	<b>5,608</b>	<b>\$ 112,222</b>	<b>\$ 117,830</b>
<b>Net book value</b>			
<b>At December 31, 2017</b>	<b>\$ -</b>	<b>\$ 107,374</b>	<b>\$ 107,374</b>
At December 31, 2016	\$ -	\$ 122,050	\$ 122,050

# SPONSORSONE INC.

Notes to the Consolidated Financial Statements  
Years ended December 31, 2017 and 2016

## 5. 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 December 31, 2017 and 2016</b>	<b>\$ 200,000</b>	<b>\$ 150,000</b>	<b>\$ 25,000</b>	<b>\$ 50,000</b>	<b>\$ 425,000</b>
<b>Accumulated depreciation</b>					
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 December 31, 2017 and 2016</b>	<b>\$ 200,000</b>	<b>\$ 150,000</b>	<b>\$ 25,000</b>	<b>\$ 50,000</b>	<b>\$ 425,000</b>
<b>Net book value</b>					
<b>At December 31, 2017</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
At December 31, 2016	\$ -	\$ -	\$ -	\$ -	\$ -
At December 31, 2015	\$ 5,553	\$ 4,167	\$ 697	\$ 1,386	\$ 11,803

## 6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are comprised of the following:

<i>As at December 31,</i>	2017	2016
Accounts payable	\$ 1,890,579	\$ 1,676,734
Accrued liabilities	338,189	193,412
	<b>\$ 2,228,768</b>	<b>\$ 1,870,146</b>

## 7. LONG-TERM DEBT

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 December 31, 2017 the balance of this loan was \$28,519 (2016 – \$23,102).

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 December 31, 2017, the balance of this loan was \$109,177 (2016 – \$142,945).

Both loans have now been classified as current as payments are past due and the loans are now in default and the lenders have demanded immediate repayment.

# SPONSORSONE INC.

Notes to the Consolidated Financial Statements  
Years ended December 31, 2017 and 2016

## 7. LONG-TERM DEBT (continued)

Balance, December 31, 2015	\$	175,635
Interests		8,055
Payments		(17,643)
Balance, December 31, 2016	\$	166,047
Interests		21,648
Payments		(50,000)
<b>Balance, December 31, 2017</b>	<b>\$</b>	<b>137,695</b>

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

<b><i>As at December 31,</i></b>	<b>2017</b>	<b>2016</b>
Payments due within one year	<b>\$ 137,695</b>	<b>\$ 166,047</b>

## 8. 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. On May 8, 2017, this note was settled with the issuance of 350,548 units (see note 9(i)) for principal and interest of \$2,529.

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. On July 5, 2016, this note was settled with the issuance of 237,648 common shares for principal and interest of \$647.

## 9. SHARE CAPITAL

### *Authorized:*

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

### *Issued:*

- (i) On May 8, 2017, the Company completed a non-brokered private placement for gross proceeds of \$100,000 through the issuance of 2,000,000 units (the "Units") at a price of \$0.05 per Unit. Each Unit is comprised of one common share (a "Common Share") and one common share purchase warrant (a "Warrant"). Each Warrant entitles the holder thereof to acquire one additional Common Share of the Company exercisable for 36 months from the closing of the private placement at an exercise price of \$0.15 per Common Share. The Company has also issued an aggregate of 350,548 Units in settlement of an aggregate of \$17,527 of indebtedness at a price of \$0.05 per Unit on the same terms and conditions as the private placement.
- (ii) 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 \$0.30 per common share.



# SPONSORSONE INC.

Notes to the Consolidated Financial Statements  
Years ended December 31, 2017 and 2016

## 9. SHARE CAPITAL (continued)

- (iii) The Company issued 5,137,451 units (the "Units") to settle \$770,618 of debts. 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 July 5, 2016 at an exercise price of \$0.30 per common share.
- (iv) On June 1, 2016, the Company issued 45,510 common shares to settle \$40,959 of debt. The fair value of the shares was \$10,012. The Company recorded a gain on settlement of \$30,947.

## 10. 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.

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.

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

	Weighted average exercise price	Number of options
Balance at December 31, 2015	\$ 0.48	1,410,000
Granted - April 28, 2016	\$ 0.15	75,000
Granted - July 5, 2016	\$ 0.31	500,000
Expired	\$ 1.00	(100,000)
<b>Balance at December 31, 2017 and 2016</b>	<b>\$ 0.39</b>	<b>1,885,000</b>

During the year ended December 31, 2016, the Company granted 575,000 stock options with an exercise price range of \$0.15 - \$0.31 per share for a period of 10 years from the date of grant. For the year ended December 31, 2017, \$91,974 of stock-based compensation expense was recorded for the fair value of stock options vested (2016 - \$119,436).

The following table summarizes the exercise price of outstanding and exercisable stock options as at December 31, 2017:

Range of exercise prices	Number of options	Weighted average remaining life (years)	Vested and exercisable
\$0.15 - \$0.30	1,010,000	5.51	1,010,000
\$0.31 - \$0.90	625,000	7.40	625,000
\$0.91 - \$1.00	250,000	6.58	250,000
<b>\$0.05 - \$1.00</b>	<b>1,885,000</b>	<b>6.28</b>	<b>1,885,000</b>

# SPONSORSONE INC.

Notes to the Consolidated Financial Statements  
Years ended December 31, 2017 and 2016

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

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

		July 5, 2016		April 28, 2016
<b>Assumptions</b>				
Volatility - estimate based on comparable companies		100%		100%
Risk-free interest rate		1.04%		1.48%
Expected life (years)		10		10
Dividend yield		Nil		Nil
Forfeiture rate		0%		0%
Exercise price	\$	0.31	\$	0.15
Share price	\$	0.35	\$	0.18

## 11. WARRANT RESERVE

The following is a summary of warrants as at December 31, 2017:

Expiry date		Balance, December 31, 2016	Granted	Exercised	Expired	Balance, December 31, 2017	Weighted average exercise price
June 1, 2017	(d)	350,000	-	-	350,000	-	\$1.10
July 5, 2018	(e)	6,790,784	-	-	-	6,790,784	\$0.30
May 8, 2020	(f)	-	2,350,548	-	-	2,350,548	\$0.15
<b>Total</b>		<b>7,140,784</b>	<b>2,350,548</b>	<b>-</b>	<b>350,000</b>	<b>9,141,332</b>	<b>\$0.26</b>

The following is a summary of warrants as at December 31, 2016:

Expiry date		Balance, December 31, 2015	Granted	Exercised	Expired or retracted	Balance, December 31, 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)	350,000	-	-	-	350,000	\$1.10
July 5, 2018	(e)	-	6,790,784	-	-	6,790,784	\$0.30
<b>Total</b>		<b>646,550</b>	<b>6,790,784</b>	<b>-</b>	<b>296,550</b>	<b>7,140,784</b>	<b>\$0.34</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.
- (e) On July 5, 2016, 6,790,784 warrants were issued as part of the private placement and debt settlements.
- (f) On May 8, 2017, 2,350,548 warrants were issued as part of the private placement and debt settlement.

# SPONSORSONE INC.

Notes to the Consolidated Financial Statements  
Years ended December 31, 2017 and 2016

## 11. WARRANT RESERVE (continued)

The fair values of warrants issued in 2017 were estimated using the Black-Scholes option pricing model under the following assumptions:

Volatility	173%
Risk-free interest rate	0.75%
Expected life (years)	3.00
Share price	0.05
Dividend yield	Nil

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

Volatility - estimate based on comparable companies	100%
Risk-free interest rate	0.49%
Expected life (years)	2.00
Share price	\$0.31
Dividend yield	Nil

## 12. LOSS PER SHARE

The calculation of basic and diluted loss per share for the year ended December 31, 2017 was based on the loss attributable to common shareholders of \$602,304 (2016 – \$993,592) and the weighted average number of common shares outstanding of 26,958,498 (2016 – 22,001,042). Diluted loss per share did not include the effect of 1,885,000 stock options (2016 – 1,885,000) and 9,141,332 warrants (2016 – 7,140,784) as they are anti-dilutive.

## 13. INCOME TAXES

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2016 – 26.5%) to the effective tax rate is as follows:

	2017	2016
Net loss before recovery of income taxes	\$ 602,304	\$ 993,592
Expected income tax recovery	\$ (159,610)	\$ (263,300)
Tax rate changes and other adjustments	-	27,020
Non-deductible expenses	24,370	18,570
Additional taxable income	70,960	-
Change in tax benefits not recognized	64,280	-
Income tax expense	\$ -	\$ -

# SPONSORSONE INC.

Notes to the Consolidated Financial Statements  
Years ended December 31, 2017 and 2016

## 13. INCOME TAXES (continued)

### Unrecognized Deferred Tax Assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	2017	2016
Property, plant and equipment	\$ 53,160	\$ 38,480
Intangible asset	105,330	105,330
Share issuance costs	26,580	56,040
Non-capital losses carried forward	\$ 7,587,560	\$ 7,330,220

The Canadian non-capital loss carry forwards expire as noted in the table below. Share issue and financing costs will be fully amortized in 2019. The remaining deductible temporary differences may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

The Company's Canadian non-capital income tax losses expire as follows:

2028	182,260
2029	46,850
2030	61,150
2031	184,060
2032	772,080
2033	575,730
2034	1,757,370
2035	2,717,010
2036	1,033,710
2037	257,340
	\$ 7,587,560

## 14. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2017, officers, directors, and management, which are considered key management, compensation was \$421,764 (2016 - \$719,324). Management compensation has been included in the marketing, general and administrative account:

<i>As at December 31,</i>	2017	2016
Consulting fees	\$ 300,000	\$ 570,000
Accounting fees	36,000	36,000
Share-based compensation	85,764	113,324
	\$ 421,764	\$ 719,324

# SPONSORSONE INC.

Notes to the Consolidated Financial Statements  
Years ended December 31, 2017 and 2016

## 14. RELATED PARTY TRANSACTIONS (continued)

As at December 31, 2017, included in accounts payable and accrued liabilities is \$1,409,798 (2016 – \$1,096,891) due to related parties for consulting services.

## 15. FINANCIAL INSTRUMENTS

Financial assets and financial liabilities as at December 31, 2017 and 2016 were as follows:

<i>As at December 31, 2017</i>	Fair value through profit and loss	Loans and receivables	Other financial liabilities	Total
Cash	\$ 60,460	\$ -	\$ -	\$ 60,460
Other receivables	-	36,065	-	36,065
Accounts payable and accrued liabilities	-	-	(2,228,768)	(2,228,768)
Current portion of long-term debt	-	-	(137,695)	(137,695)
	\$ 60,460	\$ 36,065	\$ (2,366,463)	\$ (2,269,938)

  

<i>As at December 31, 2016</i>	Fair value through profit and loss	Loans and receivables	Other financial liabilities	Total
Cash	\$ 43	\$ -	\$ -	\$ 43
Other receivables	-	71,125	-	71,125
Accounts payable and accrued liabilities	-	-	(1,870,146)	(1,870,146)
Current portion of long-term debt	-	-	(166,047)	(10,328)
Promissory note	-	-	(16,788)	(16,788)
	\$ 43	\$ 71,125	\$ (2,052,981)	\$ (1,981,813)

The carrying amount reflected above represents the Company's maximum exposure to credit risk for such loans and receivables. As at December 31, 2017 and 2016, the Company did not hold financial instruments recorded at fair value that would require classification within the fair value hierarchy, with the exception of cash.

The carrying value of cash and cash equivalents, other receivables and accounts payable and accrued liabilities approximate fair value due to the short-term nature of these instruments.

## 16. FINANCIAL RISK FACTORS

The Company's risk exposure and the impact on the Company's financial instruments are summarized below.

### *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, investments and other receivables.

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

# SPONSORSONE INC.

Notes to the Consolidated Financial Statements  
Years ended December 31, 2017 and 2016

---

## 16. FINANCIAL RISK FACTORS (continued)

### *Liquidity risk*

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to capital markets is hindered, whether as a result of a downturn in stock market conditions, generally, or related to matters specific to the Company. The Company generates cash flow primarily from its financing activities. As at December 31, 2017, the Company had a cash balance of \$60,460 (2016 - \$43) to settle current liabilities of \$2,366,463 (2016 - \$2,052,981) (note 1).

All of the Company's financial liabilities have contractual maturities of less than one year and are subject to normal trade terms. The Company cannot ensure there is sufficient capital in order to meet short term business requirements, after taking into account cash flows from operations and the Company's cash holdings. The Company is currently seeking sources of funding to settle short term liabilities, and short term cash requirements.

### *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.

Due to the short-term nature of the Company's financial instruments, fluctuations in market rates do not have a significant impact on the estimated fair values.

### *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.

# SPONSORSONE INC.

Notes to the Consolidated Financial Statements  
Years ended December 31, 2017 and 2016

---

## 17. CAPITAL MANAGEMENT (continued)

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 year ended December 31, 2017. The Company is not subject to externally imposed capital requirements.

## 18. SUBSEQUENT EVENTS

On January 5, 2018, the Company completed a non-brokered private placement for gross proceeds of \$105,000 through the issuance of 2,625,000 units (the "Units") at a price of \$0.04 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 of the Company at an exercise price of \$0.05 per common share for a period of 24 months from the closing of the private placement.

On January 10, 2018, the Company granted 1,450,000 stock options to certain officers, directors and consultants. Each option is exercisable at \$0.30 expiring January 10, 2028.

On January 11, 2018, the Company announced that it has incorporated a USA subsidiary, SponsorsOne Media Inc. In addition, the Company announced the appointment of Mr. Guy Zanjonc as the president of the subsidiary.