



**Sponsors  
One™**

# **SPONSORSONE INC.**

**Condensed Interim Consolidated Financial Statements**

**Amended and Restated**

**For the three and nine months ended September 30, 2018 and 2017**

(Unaudited)

(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 CPA Canada for a review of interim financial statements by an entity's auditor.

January 9, 2019

"Myles Bartholomew" (signed)  
Myles Bartholomew, CEO

"Brad E. Herr" (signed)  
Brad E. Herr, CFO

# SPONSORSONE INC.

Condensed Interim Consolidated Statements of Financial Position – Amended and Restated  
As at September 30, 2018 and December 31, 2017  
(Unaudited)

	Note	September 30, 2018	December 31, 2017 (Audited)
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents		\$ 1,229,884	\$ 60,460
Other receivables	3	16,332	36,065
		<b>1,246,216</b>	<b>96,525</b>
Capital assets, net	4	96,367	107,374
Intangible assets, net	5	-	-
		<b>\$ 1,342,583</b>	<b>\$ 203,899</b>
<b>Liabilities and Shareholders' Deficit</b>			
<b>Current liabilities:</b>			
Accounts payable and accrued liabilities	6 & 12	\$ 390,435	\$ 2,228,768
HST Payable	6	256,009	
Current portion of long-term debt		-	137,695
		<b>646,444</b>	<b>2,366,463</b>
<b>Long-term liabilities</b>			
Long-term debt	7	128,270	-
		<b>774,714</b>	<b>2,366,463</b>
<b>Shareholders' deficit</b>			
Share capital	8	6,708,185	5,075,467
Shares subscribed but not issued	8	-	90,000
Shares to be issued	8	232,616	232,616
Share-based payment reserve	9	1,869,799	804,799
Warrant reserve	10	1,915,150	1,266,525
Accumulated deficit		<b>(10,157,881)</b>	<b>(9,631,971)</b>
		<b>567,869</b>	<b>(2,162,564)</b>
		<b>\$ 1,342,583</b>	<b>\$ 203,899</b>

Nature of Operations and Going Concern – Note 1

Subsequent Event – Note 16

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.

Condensed Interim Consolidated Statements of Operations and Comprehensive Income (Loss) – Amended and Restated  
For the three and nine months ended September 30, 2018 and 2017  
(Unaudited)

	Note	Three Months Ended September 30,		Nine Months Ended September 30,	
		2018	2017	2018	2017
<b>Revenue</b>		\$ -	\$ -	\$ -	\$ -
<b>Operating expenses:</b>					
Marketing, general and administrative		\$ 1,120,137	\$ 167,776	\$ 1,800,892	\$ 518,793
Research and development		-	22,500	2,661	71,750
Depreciation	5 & 6	2,829	3,669	11,007	11,007
HST Assessment	6	-	-	194,994	-
Loss before finance expense and other income		1,122,966	193,945	2,009,554	601,550
Finance expense		-	-	4,647	656
Other income - settlement of accounts payable	6	203,237	-	1,488,291	-
<b>Net income (loss) and comprehensive income (loss)</b>		\$ (919,729)	\$ (193,945)	\$ (525,910)	\$ (602,206)
Weighted average number of common shares	11	40,233,818	26,122,446	33,731,132	27,784,712
Loss per share - basic and diluted	11	\$ (0.02)	\$ (0.01)	\$ (0.02)	\$ (0.02)

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

# SPONSORSONE INC.

Condensed Interim Consolidated Statements of Changes in (Deficit) Equity – Amended and Restated  
For the nine months ended September 30, 2018 and 2017  
(Unaudited)

	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, 2017	27,784,712	5,075,467	232,616	90,000	1,266,525	804,799	(9,631,971)	(2,162,564)
Shares issued on private placement, net	2,625,000	105,000	-	(90,000)	-	-	-	15,000
Units issued in public offering	14,151,015	1,711,593	-	-	458,500	-	-	2,170,093
FMV of broker warrants issued	-	(142,500)	-	-	142,500	-	-	-
Warrants exercised	125,000	8,625	-	-	(2,375)	-	-	6,250
Warrant extension	-	(50,000)	-	-	50,000	-	-	-
Share-based payments	-	-	-	-	-	1,065,000	-	1,065,000
Net loss for the period	-	-	-	-	-	-	(525,910)	(525,910)
<b>Balance at September 30, 2018</b>	<b>44,685,727</b>	<b>\$ 6,708,185</b>	<b>\$ 232,616</b>	<b>\$ -</b>	<b>\$ 1,915,150</b>	<b>\$ 1,869,799</b>	<b>\$ (10,157,881)</b>	<b>\$ 567,869</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, 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	17,527	-	-	-	-	-	17,527
FMV of warrants issued	-	(24,800)	-	-	24,800	-	-	-
Share-based payments	-	-	-	-	-	90,898	-	90,898
Net loss for the period	-	-	-	-	-	-	(602,206)	(602,206)
<b>Balance at September 30, 2017</b>	<b>27,784,712</b>	<b>\$ 5,102,166</b>	<b>\$ 232,616</b>	<b>\$ -</b>	<b>\$ 1,239,824</b>	<b>\$ 803,723</b>	<b>\$ (9,631,873)</b>	<b>\$ (2,253,544)</b>

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

# SPONSORSONE INC.

Condensed Interim Consolidated Statements of Cash Flows – Amended and Restated  
For the nine months ended September 30, 2018 and 2017  
(Unaudited)

	Note	2018	2017
<b>Cash flows from operating activities:</b>			
Net income (loss) for the period		\$ (525,910)	\$ (602,206)
Adjustments for:			
Depreciation	5 & 6	11,007	11,007
Share-based compensation	9	1,065,000	90,898
Change in non-cash operating working capital			
Other receivables		19,733	24,670
Accounts payable and accrued liabilities	6	(1,710,062)	375,588
HST Payable	6	256,009	-
		<b>(884,223)</b>	<b>(100,043)</b>
<b>Cash flows from financing activities:</b>			
Proceeds from issuance of securities, net	8	2,191,342	100,000
Payment of bank indebtedness		(137,695)	-
		<b>2,053,647</b>	<b>100,000</b>
<b>Cash flows from investing activities:</b>			
Investment in property and equipment	5	-	-
		-	-
<b>Increase (decrease) in cash and cash equivalents</b>		<b>1,169,424</b>	<b>(43)</b>
Cash and cash equivalents, beginning of period		60,460	43
<b>Cash and cash equivalents, end of period</b>		<b>\$ 1,229,884</b>	<b>\$ -</b>

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

# SPONSORSONE INC.

Notes to the Condensed Interim Consolidated Financial Statements – Unaudited–Amended and Restated  
For the three-month and nine-month periods ended September 30, 2018 and 2017

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## 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. Over the years, the Company has changed its name a number of times and currently operates as SponsorsOne, Inc. The registered office is located at 2 Campbell Drive, #307C, Uxbridge, ON L9P 1H6. References to SponsorsOne or the Company include the other names the company has operated under.

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 SponsorsOne. For accounting purposes, MXM is considered the acquirer and SponsorsOne the acquiree.

SponsorsOne Media, Inc., was incorporated under the laws of the State of Delaware United States of America, on January 9, 2018, and is a wholly owned subsidiary of SponsorsOne, Inc. The primary office of SponsorsOne Media, Inc. is located at South 8514 Sagewood Road, Spokane, Washington 99223.

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 November 7, 2018.

### 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. In the nine months ended September 30, 2018, the Company generated a net loss \$919,729. As of September 30, 2018, the Company has not yet generated revenue from operations. On July 31, 2018, the Company closed a public offering of shares generating aggregate net proceeds of \$2,173,093, and as of September 30, 2018, the company had \$599,772 in working capital.

The Company has relied on financing from its shareholders and officers as well as equity raises to fund operations to date. Full 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. While management believes the Company has sufficient capital to continue operations for the coming twelve months, there continuing uncertainties regarding the costs of operations and the timing of revenues that cast doubt upon the Company's ability to continue as a going concern. Management believes that it can generate and/or 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.

# SPONSORSONE INC.

Notes to the Condensed Interim Consolidated Financial Statements – Unaudited–Amended and Restated  
For the three-month and nine-month periods ended September 30, 2018 and 2017

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## 2. SIGNIFICANT ACCOUNTING POLICIES

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

These interim condensed 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”).

These interim condensed consolidated financial statements are prepared in compliance with International Accounting Standard 34, Interim Financial Reporting (IAS 34). Accordingly, certain information and disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards have been omitted or condensed. These interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2017.

### b) Basis of presentation

These consolidated financial statements have been prepared on a historical cost basis using accounting policies and methods consistently applied over the periods presented. These financial statements have been amended and restated to correct an error in a listed date. The balance as of September 30, 2017 for the Condensed Interim Consolidated Statements of Changes in (Deficit) Equity was listed as June 30, 2017 in the original filing. This date has been restated to September 30, 2017 in this restatement. The numbers presented in the table were correctly stated as of September 30, 2018.

### 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, NFU Inc., and SponsorsOne Media, Inc. All intercompany balances and transactions have been eliminated. Subsidiaries are consolidated from the date of acquisition or incorporation, that 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.



# SPONSORSONE INC.

Notes to the Condensed Interim Consolidated Financial Statements – Unaudited–Amended and Restated  
For the three-month and nine-month periods ended September 30, 2018 and 2017

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## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### f) Standards adopted during the period

IFRS 2, Share-based payments, was amended effective on January 11, 2018 (“Amendments to IFRS 2”). The Amendments to IFRS 2 clarify the classification and measurements of share-based payments for cash-settled share-based payment transactions and/or for share-based payment transactions with net settlement features for withholding tax obligations and/or for any modifications to the terms and conditions of a share-based payment transaction that changes its classification from cash-settled to equity-settled. The Company adopted the amendments on January 1, 2018 and the adoption had no impact on the condensed interim consolidated financial statements as at September 30, 2018.

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 was 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 was no significant impact to the consolidated financial statements when adopted.

### g) Standards issued but not yet effective

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.

### h) 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.

### i) 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.

# SPONSORSONE INC.

Notes to the Condensed Interim Consolidated Financial Statements – Unaudited–Amended and Restated  
For the three-month and nine-month periods ended September 30, 2018 and 2017

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## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

### j) 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.

### k) 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.

### l) Share-based compensation

The Company grants stock options and deferred stock units (“DSU’s”) to acquire common shares of the Company to directors, officers and employees. The Board of Directors grants stock 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. DSU’s by their terms have no exercise price associated with them and the Board of Directors grants DSU’s with vesting periods determined on a case-by-case basis.

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.

The fair value of vested DSU’s are calculated and recorded using the stock price on the grant date of DSU’s, but only to the extent that the DSU’s are vested. As additional DSU’s vest according to their terms, additional compensation expense is recorded in the period when the shares vest. DSU’s do not bear an exercise price, do not convert into common shares and cannot be transferred or liquidated until the holder ceases to be a director, officer, employee or consultant of the Company.

# SPONSORSONE INC.

Notes to the Condensed Interim Consolidated Financial Statements – Unaudited—Amended and Restated  
For the three-month and nine-month periods ended September 30, 2018 and 2017

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## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

### m) Loss per share

Basic income (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.

### n) Income tax

Income tax expense consists of current and deferred tax expense. Current and deferred taxes 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.

### o) 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

# SPONSORSONE INC.

Notes to the Condensed Interim Consolidated Financial Statements – Unaudited–Amended and Restated  
For the three-month and nine-month periods ended September 30, 2018 and 2017

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## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

### *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.

### **p) 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.

# SPONSORSONE INC.

Notes to the Condensed Interim Consolidated Financial Statements – Unaudited–Amended and Restated  
For the three-month and nine-month periods ended September 30, 2018 and 2017

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 impairments of non-financial assets have been recorded for the periods ended September 30, 2018 or 2017.

## 3. OTHER RECEIVABLES

	September 30, 2018	September 30, 2017	December 31, 2017
HST recoverable	\$ 16,332	\$ 45,155	\$ 34,765
Other receivables	-	1,300	1,300
	<b>\$ 16,332</b>	<b>\$ 46,455</b>	<b>\$ 36,065</b>

## 4. CAPITAL ASSETS

	Computer equipment	Marketing vehicle	Total
<b>Cost</b>			
At December 31, 2016	\$ 5,608	\$ 219,596	\$ 225,204
Additions for the period	-	-	-
Balance at December 31, 2017	\$ 5,608	\$ 219,596	\$ 225,204
Additions for the period	-	-	-
<b>Balance at September 30, 2018</b>	<b>\$ 5,608</b>	<b>\$ 219,596</b>	<b>\$ 225,204</b>
<b>Accumulated depreciation</b>			
At December 31, 2016	\$ 5,608	\$ 97,546	\$ 103,154
Additions for the period	-	14,676	14,676
Balance at December 31, 2017	\$ 5,608	\$ 112,222	\$ 117,830
Additions for the period	-	11,007	11,007
<b>Balance at September 30, 2018</b>	<b>\$ 5,608</b>	<b>\$ 123,229</b>	<b>\$ 128,837</b>
<b>Net book value</b>			
<b>At September 30, 2018</b>	<b>\$ -</b>	<b>\$ 96,367</b>	<b>\$ 96,367</b>
At December 31, 2017	\$ -	\$ 107,374	\$ 107,374

## 5. INTANGIBLE ASSETS

	System architecture and design	System architecture and design	System architecture and design	System architecture and design	System architecture and design
<b>Cost</b>					
At December 31, 2016	\$ 200,000	\$ 150,000	\$ 25,000	\$ 50,000	\$ 425,000
Additions	-	-	-	-	-
<b>Balance at June 30, 2018 and December 31, 2017</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, 2016	\$ 200,000	\$ 150,000	\$ 25,000	\$ 50,000	\$ 425,000
Additions	-	-	-	-	-
<b>Balance at June 30, 2018 and December 31, 2017</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 June 30, 2018</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
At December 31, 2017	\$ -	\$ -	\$ -	\$ -	\$ -

# SPONSORSONE INC.

Notes to the Condensed Interim Consolidated Financial Statements – Unaudited–Amended and Restated  
For the three-month and nine-month periods ended September 30, 2018 and 2017

## 6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are comprised of the following:

<b>As at,</b>	<b>September 30, 2018</b>	September 30, 2017	December 31, 2017
Accounts payable	\$ 347,777	\$ 1,911,882	\$ 1,890,579
Accrued liabilities	42,659	333,113	338,189
HST Payable	256,008	-	-
	<b>\$ 587,803</b>	<b>\$ 2,244,995</b>	<b>\$ 2,228,768</b>

During the period ending September 30, 2018, the Company reached settlement agreements with many of its vendors resulting in reclassification of \$211,548 of accounts payable to long-term debt, and the write-off or reduced payment of \$1,737,106 of accounts payable and accrued liabilities.

On April 28, 2018, the Corporation received a Notice of (Re) Assessment (the “HST Assessment”) from Canada Revenue Agency regarding GST / HST filings for the period from July 1, 2015 to December 31, 2017, which, if correct, would give rise to \$194,994 in HST payable. The Corporation’s tax advisors have advised that there are valid grounds to appeal the assessment and the Corporation has filed a Notice of Objection. Pending the outcome of the appeal process, the Corporation has booked the \$194,994 as an amount payable in its second quarter 2018 financial statements. As at September 30, 2018, the balance in HST Payable includes the disputed amount plus additions for HST incurred in the current period.

## 7. CURRENT PORTION OF LONG-TERM DEBT AND 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 September 30, 2018 this loan was paid in full (December 31, 2017 – \$28,519).

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 September 30, 2018, this loan was paid in full (December 31, 2017 – \$109,177).

In connection with the debt settlements negotiated in June 2018, the Company entered into agreements with certain vendors holding accounts payable to convert these accounts payables aggregating \$154,271 to long-term notes payable over three years commencing on July 31, 2019 bearing interest at 12% per annum. Amounts reclassified to long-term debt total \$211,548. As at September 30, 2018, \$128,270 of this long-term debt remained outstanding. The current portion of long term debt consisting of principal and interest payments due on the remaining long-term debt over the twelve-month period ending September 30, 2019 total \$4,000.

# SPONSORSONE INC.

Notes to the Condensed Interim Consolidated Financial Statements – Unaudited–Amended and Restated  
For the three-month and nine-month periods ended September 30, 2018 and 2017

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## 8. SHARE CAPITAL

*Authorized:*

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

*Issued:*

*As at September 30, 2018, a total of 44,685,727 shares of common stock are issued and outstanding.*

- (i) On July 30, 2018, the Company closed a public offering of 13,994,182 units (including conversion of the Special Warrants described below) at \$0.18 per unit for aggregate offering proceeds of \$2,518,953. After payment of commissions and offering expenses, the Company netted \$2,170,093 from the offering. Each unit included one share of common stock and a warrant to purchase one-half share of common stock at an exercise price of \$0.30 per whole share. A total of 13,994,182 shares of stock were issued upon closing the public offering and an additional 156,833 penalty shares were issued to the holders of the Special Warrants due to delays in closing the public offering.
- (ii) On May 16, 2018, the Company completed an offering of Special Warrants which convert by their terms into units in the public offering at the time of closing. A total of 1,568,440 Special Warrants were sold at \$0.18 per share for an aggregate of \$282,319. Commissions were paid in the amount of \$28,232 to the selling brokers and the net proceeds to the Company were \$254,087. On July 24, 2018, the Special Warrants were converted to common stock and warrants. No additional consideration will be received by the Company at the time of conversion.
- (iii) 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.
- (iv) 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.

## 9. 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.

# SPONSORSONE INC.

Notes to the Condensed Interim Consolidated Financial Statements – Unaudited–Amended and Restated  
For the three-month and nine-month periods ended September 30, 2018 and 2017

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

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, 2017 and 2016	\$ 0.34	1,760,000
Granted January 10, 2018	0.30	1,350,000
Granted August 7, 2018	0.18	2,000,000
September 24, 2018	0.22	750,000
<b>Balance at September 30, 2018</b>	<b>\$ 0.26</b>	<b>5,860,000</b>

On January 10, 2018, the Company granted 1,450,000 stock options with an exercise price \$0.30 per share for a period of 10 years from the date of grant. On August 7, 2018, the Company granted 2,000,000 options with an exercise price of \$0.30 per share for a period of 10 years from the date of grant and on September 24, 2018, an additional 750,000 options with an exercise price of \$0.22 per share for a period of 10 years from the date of grant. For the period ended September 30, 2018, \$1,065,000 of stock-based compensation expense was recorded for the fair value of stock options vested (2017 – \$43,843).

The following table summarizes the exercise price of outstanding and exercisable stock options as at September 30, 2018:

Range of exercise prices	Number of options	Weighted average remaining life (years)	Vested and exercisable
\$0.15 - \$0.30	5,585,000	8.61	5,585,000
\$0.31 - \$0.90	25,000	6.31	25,000
\$0.91 - \$1.00	250,000	5.81	250,000
<b>\$0.05 - \$1.00</b>	<b>5,860,000</b>	<b>8.48</b>	<b>5,860,000</b>

### Deferred Share Units

In addition to the stock options referenced above, the Company also issued 5,000,000 deferred share units (DSU's) on August 7, 2018. Each DSU entitles the holder to receive the equivalent value of the shares of stock contained in the DSU grant at the time such holder ceases to be an employee or consultant for the Company. The DSU grants issued on August 7, 2018 were subject to vesting requirements under which an aggregate of 500,000 DSU's vested on the date of the grant and one-third of the remainder vests at the completion of each year of service for the succeeding three years.

Upon cessation of service, the holder of a DSU may request that the DSU's be redeemed by the Company at the then current market price for the stock, at which time the Company may redeem the DSU's either by cash payment or, upon regulatory approval, by delivery of shares of stock of the Company equivalent to the number of shares specified in the DSU. Any DSU's not vested at the time of a cessation of service will expire. As a result of the grant of DSU's on August 7, 2018 (of which 500,000 were vested), the Company recorded stock-based compensation expense of \$135,000. Up to \$765,000 of additional compensation expense will be recorded over the remaining vesting period of the DSU's at the rate of \$255,000 per year in 2019, 2020, and 2021. If any of the DSU's expire prior to vesting, the compensation expense will be reduced.



# SPONSORSONE INC.

Notes to the Condensed Interim Consolidated Financial Statements – Unaudited–Amended and Restated  
For the three-month and nine-month periods ended September 30, 2018 and 2017

The fair values of stock options and DSU's issued in 2018 were estimated using the Black-Scholes option pricing model with the following assumptions:

	Options September 24, 2018	Options August 7, 2018	Options January 10, 2018	DSU's August 7, 2018
<b>Assumptions</b>				
Volatility	177%	177%	183%	177%
Risk-free interest rate	1.89%	1.89%	0.77%	1.89%
Expected life (years)	10	10	10	10*
Dividend yield	Nil	Nil	Nil	Nil
Forfeiture rate	0%	0%	0%	0%
Exercise price	\$ 0.22	\$ 0.18	\$ 0.30	--
Share price	\$ 0.18	\$ 0.18	\$ 0.30	\$ 0.18

## 10. WARRANT RESERVE

The following is a summary of warrants as at September 30, 2018:

Expiry date		Balance, December 31, 2017	Granted	Exercised	Expired or retracted	Balance, September 30, 2018, 2016	Weighted average exercise price
July 4, 2019 (a)		6,790,784	-	-	-	6,790,784	\$0.30
May 8, 2020 (b)		2,350,548	-	-	-	2,350,548	\$0.15
January 5, 2020 (c)		-	2,625,000	125,000	-	2,500,000	\$0.30
May 16, 2019 (d)		-	282,319	282,319	-	-	\$0.18
July 31, 2019 (e)		-	6,997,091	-	-	6,997,091	\$0.30
July 31, 2020 (f)		-	1,399,418	-	-	1,399,418	\$0.18
July 31, 2020 (g)		-	-	-	-	-	\$0.30
<b>Total</b>		<b>9,141,332</b>	<b>11,303,828</b>	<b>407,319</b>	<b>-</b>	<b>20,037,841</b>	<b>\$0.23</b>

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
July 5, 2018 (a)		6,790,784	-	-	-	6,790,784	\$0.30
May 8, 2020 (b)		-	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>

- (a) On July 5, 2016, 6,790,784 warrants were issued as part of the private placement and debt settlements. On July 4, 2018, the expiry date of these warrants was extended for one year.
- (b) On May 8, 2017, 2,350,548 warrants were issued as part of the private placement and debt settlement.
- (c) On January 5, 2018, 2,625,000 warrants were issued as part of the private placement.
- (d) On May 16, 2018, 282,319 Special Warrants were issued as part of a private placement in connection with a planned public offering which closed on July 30, 2018. On July 24, 2018, the Special Warrants will converted into Units in the public offering.
- (e) On July 31, 2018, the Company closed its public offering resulting in issuance of 6,997,091 warrants exercisable at \$0.30 per share.
- (f) On July 31, 2018, in connection with the closing of its public offering, the Company issued 1,399,418 brokers' warrants exercisable at \$0.18 per share.
- (g) On July 31, 2018, in connection with the closing of its public offering, the Company committed to issue brokers' warrants underlying the brokers' warrant totaling 699,709 shares exercisable at \$0.30 per share. These brokers' warrants underlying the brokers' warrants will not be issued unless and until the brokers' warrants are exercised. For purposes of this table, the brokers' warrants underlying the brokers' warrants are not yet considered issued and outstanding.

# SPONSORSONE INC.

Notes to the Condensed Interim Consolidated Financial Statements – Unaudited–Amended and Restated  
For the three-month and nine-month periods ended September 30, 2018 and 2017

## 10. WARRANT RESERVE (continued)

The fair values of warrants issued in 2018 (excluding the Special Warrants) were estimated using the Black-Scholes option pricing model under the following assumptions:

Assumptions	July 31, 2018	July 31, 2018	January 5, 2018
Volatility	177%	177%	193%
Risk-free interest rate	1.89%	1.89%	0.77%
Expected life (years)	1	1	2
Dividend yield	Nil	Nil	Nil
Exercise price	\$0.18	\$0.30	\$ 0.05
Share price	\$0.18	\$0.18	\$ 0.21

The Special Warrants were recorded at the value of the net offering proceeds received.

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

Assumptions	
Volatility	173%
Risk-free interest rate	0.77%
Expected life (years)	3
Dividend yield	Nil
Exercise price	\$ 0.15
Share price	\$ 0.05

## 11. LOSS PER SHARE

The calculation of basic and diluted loss per share for the nine-month period ended September 30, 2018 was based on the loss attributable to common shareholders of \$525,910 (2017 – \$602,206) and the weighted average number of common shares outstanding of 33,731,132 (2017 – 27,784,712). Diluted loss per share did not include the effect of 5,860,000 stock options (2017 – 1,760,000) and 20,037,841 warrants (2017 – 9,141,332) as they are anti-dilutive.

## 12. RELATED PARTY TRANSACTIONS

During the period ended September 30, 2018, officers, directors, and management, which are considered key management, compensation was \$420,000 (September 30, 2017 - \$340,880). Management compensation has been included in the marketing, general and administrative account:

<i>As at December 31,</i>	<b>September 30, 2018</b>	September 30, 2017
Consulting fees	\$ 110,000	\$ 258,000
Accounting fees	82,000	18,000
Share-based compensation	759,000	82,880
	<b>\$ 951,000</b>	<b>\$ 340,880</b>

As at September 30, 2018, included in accounts payable and accrued liabilities is \$78,271 (September 30, 2017 – \$1,402,080) due to related parties for consulting services.

# SPONSORSONE INC.

Notes to the Condensed Interim Consolidated Financial Statements – Unaudited–Amended and Restated  
For the three-month and nine-month periods ended September 30, 2018 and 2017

## 13. FINANCIAL INSTRUMENTS

Financial assets and financial liabilities as at September 30, 2018 and December 31, 2017 were as follows:

<i>As at September 30, 2018</i>	Fair value through profit and loss	Loans and receivables	Other financial liabilities	Total
Cash	\$1,229,884	\$ -	\$ -	\$ 1,229,884
Other receivables	-	16,332	-	16,332
Accounts payable and accrued liabilities	-	-	(390,435)	(394,435)
HST Payable	-	-	(256,009)	(256,009)
	\$1,229,884	\$ 16,332	\$ (646,444)	\$ 595,772

  

<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)

The carrying amount reflected above represents the Company's maximum exposure to credit risk for such loans and receivables. As at September 30, 2018 and December 31, 2017, 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.

## 14. 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.

### *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 September 30, 2018, the Company had a cash balance of \$1,229,884 (December 31, 2017 - \$60,460) to settle current liabilities of \$646,444 (December 31, 2017 - \$2,366,463) (Note 1).

# SPONSORSONE INC.

Notes to the Condensed Interim Consolidated Financial Statements – Unaudited–Amended and Restated  
For the three-month and nine-month periods ended September 30, 2018 and 2017

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## 14. FINANCIAL RISK FACTORS (continued)

All of the Company's financial liabilities classified as current 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 implementing its business plan to generate recurring revenue and is concurrently seeking additional 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's functional currency is the Canadian Dollar and major purchases are transacted in Canadian and US dollars. The Company funds certain operations and administrative expenses in the United States on a cash basis using US dollar currency converted from its Canadian dollar bank accounts held in Canada, and also maintains a checking account in the US that is funded primarily with transfers from its Canadian accounts. Management believes the foreign exchange risk derived from currency conversions is not significant to its operations and therefore does not hedge its foreign exchange risk. At September 30, 2018, the held \$181,490 US dollars in its US account. This amount has been reported in these financial statements in the equivalent Canadian dollar currency amount totaling \$232,490 using the foreign currency exchange rate as of September 30, 2018.

### *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.

## 15. CAPITAL MANAGEMENT

The Company's objectives when managing capital, defined as shareholders' equity, 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 cost 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

# SPONSORSONE INC.

Notes to the Condensed Interim Consolidated Financial Statements – Unaudited–Amended and Restated  
For the three-month and nine-month periods ended September 30, 2018 and 2017

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## 15. CAPITAL MANAGEMENT (continued)

deployment and general industry conditions. The Board of Directors has not yet established 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 September 30, 2018. The Company is not subject to externally imposed capital requirements.

## 16. SUBSEQUENT EVENTS

On October 10, 2018, the Company a debt settlement through payment of \$72,000 by issuance of 400,000 shares of common stock at \$0.18 per share. This debt settlement was pursuant to an agreement made in June 2018 and previously disclosed in the financial statements as of June 30, 2018.

On October 10, 2018, the Company also issued 250,000 shares of common stock in payment of consulting fees valued at \$45,000.

## 17. RESTATEMENT OF FINANCIAL STATEMENTS

The condensed interim consolidated financial statements of the Company as of September 30, 2018 and for the three and nine month periods then ended have been restated to correct a wrong date on the Condensed Interim Consolidated Statements of Changes in (Deficit) Equity. For the period ended September 30, 2017, the table showed a date of June 30, 2017. The numbers presented in the table were as of September 30, 2018, but the date in the table was incorrect. This restatement corrects this issue.