

# SPONSORSONE INC.

## MANAGEMENT'S DISCUSSION & ANALYSIS ("MD&A")

### FOR THE THREE MONTHS ENDED MARCH 31, 2019

*This MD&A of SponsorsOne Inc. ("SponsorsOne", "SPO" or the "Company") for the three month periods ended March 31, 2019 has been prepared by management of the Company as of May 29, 2019 and should be read in conjunction with the Company's unaudited condensed interim financial statements and accompanying notes for the three months ended March 31, 2019 and 2018. The unaudited condensed interim financial statements and notes thereto and this MD&A are presented in Canadian currency (unless otherwise noted) and were prepared in accordance with international financial reporting standards ("IFRS").*

#### **Forward-Looking Information**

This MD&A contains certain forward-looking statements and information relating to the Company that is based on the beliefs of its management as well as assumptions made by and information currently available to the Company. When used in this document, the words "may", "will", "anticipate", "plan", "intend", "estimate", "project", "continue", "believe", "estimate", "expect" and similar forward-looking terminology, as they relate to the Company or its management, are intended to identify forward-looking statements. This MD&A contains forward-looking statements relating to, among other things, regulatory compliance, the sufficiency of current working capital and the estimated cost and availability of funding for the continued operation of the Company. Such statements reflect the current views of the Company with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements.

Although management believes that the expectations reflected in such forward-looking statements are reasonable, all forward-looking statements address matters that involve known and unknown risks, uncertainties and other factors and should not be read as guarantees of future performance or results. Accordingly, there are or will be a number of significant factors which could cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Factors that could cause actual future results, performance or achievements to differ materially include, but are not limited to, our limited operating history, our reliance on key personnel, future capital needs, dependence on proprietary technology and limited protection thereof and general economic trends and international risk. The Company is subject to significant risks and any past performance is no guarantee of future performance. The Company cannot predict all of the risk factors, nor can it assess the impact, if any, of such risk factors on the Company's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those projected in any forward-looking statements. Accordingly, forward-looking statements should not be relied upon as a prediction of actual results. This MD&A offers a brief overview of some of the risk factors to be considered in relation to the Company's business. This list may not be exhaustive and new risk factors may emerge from time to time. Please see the section "Risks and Uncertainties" for further information. We disclaim any intention or obligation to publicly update or revise any forward-looking statements after distribution of this MD&A, whether as a result of new information, future events or other circumstances, except as may be required pursuant to applicable securities laws.

## **SPONSORSONE, INC.**

**Management's Discussion and Analysis for the Three Months March 31, 2019 & 2018**

**Dated as at May 24, 2019**

### **BUSINESS OVERVIEW AND CORPORATE UPDATE**

#### **THE CORPORATION**

SponsorsOne Inc. ("SPO") was incorporated in accordance with the *Business Corporation Act (Ontario)* under the laws of the Province of Ontario on March 8, 1965 under the name "Superior Copper Mines Limited". The Corporation filed various articles of amendments dated August 8, 1972, March 6, 1979, March 3, 1988, May 9, 1989, January 8, 1990, February 26, 1997 and December 19, 2013 in respect of changes to share capital and other corporate matters including to change of its name to "Mountainview Explorations Inc.", then to "Banro Capital Group Inc." then to "International Infopet Systems Ltd." and finally to "SponsorsOne Inc."

MXM Nation Inc. ("MXM"), a wholly-owned subsidiary of the Corporation, was incorporated under that laws of the Province of Ontario on February 2, 2006 as "Deep Creek Ventures Inc.". On April 4, 2007, MXM changed its name to "MX Mechanics Inc." and on February 5, 2013 MXM changed its name to "MXM Nation Inc."

SponsorsOne Media Inc. ("SPM"), a wholly-owned subsidiary of the corporation, was incorporated under the laws of the State of Delaware on January 11, 2018.

The head and registered office of SPO, MXM and SPM is located at 2 Campbell Drive, Suite 307C, Uxbridge, ON L9P 1H6.

#### **Business of the Corporation**

The Corporation is developing a proprietary digital marketing platform for influencers and their Brands called the SponsorCoin. The *SponsorCoin* digital currency and transaction engine, in combination, are designed to address social media marketing challenges faced by companies regarding their specific retail product lines such as fashion, specialty food and cosmetics ("Brands").

Social media marketing is influenced by people known as influencers, who are people in social media that have followings of people, which people take actions based on what a particular influencer buys, does and says. Large influencers charge fees for their social media influence. There are a lot of smaller influencers ("Micro-Influencers") who have significant followings, sometimes in niche marketing areas who can be influential as well. Social media marketing through Micro-Influencers is challenging due to the difficulty of engagement between Brands, Micro-Influencers, customers and social media advertising. There is also a lack of understanding of the return on investment, costs related to products/services and support given to customers/influencers with no communication channel post advertisement/sponsorship promotion. SPO has developing the *SponsorCoin* platform and patent pending *SponsorCoin digital currency* to bring scale and efficiency to managing millions of micro-influencers. These technologies were designed to address the foregoing issues by creating influencer communities, which include Pro-Influencers, Marco-Influencers, Micro-Influencers and Nano-Influencers, for Brands. An "Influencer" is an individual consumer that is active on social media but with a number of subscribers or followers who can have significant effect on buying habits of their followers. SponsorsOne has classified influencers based on followers in aggregate across all forms of social media (Facebook, Instagram, YouTube and Twitter as stated below:

<b><u>Influencer Classification</u></b>	<b><u>Range of Followers (range)</u></b>
Nano-Influencer	100 – 5,000
Micro-Influencer	5,001 – 25,000
Macro-Influencer	25,001 – 500,000
Pro-Influencer	500,001 – 100,000,000

## USING MICRO-INFLUENCERS TO SUCCESSFULLY PROMOTE YOUR BUSINESS



For each Brand represented, the SPO model will help build a network of influencers (Nano to Pro-Influence). The *SponsorCoin* platform will integrate with social networks and enables the delivery of social media marketing campaigns. This will be facilitated through our proprietary e-commerce platform, *SponsorsCoin*, which will support the exchange of goods and services between brands and Influencers using our digital currency *SponsorCoin*. The main objective of the *SponsorCoin* platform is to build communities of Influencers for Brands through online, social media and e-commerce channels. Nano and Micro-Influencers will work their way up to higher levels of discounts by continuously engaging and transacting with Brands through various social media and e-commerce activities online across all social networks and may eventually become a Pro-Influencer earning cash commissions paid by the Brand. *SponsorCoin* will have a mobile application to allow Influencers to engage with the Brands and their campaigns. SPO will work with Brands to create marketing content to be distributed through various forms of digital distribution such as Facebook, Instagram, YouTube and on demand content distributors for 30- and 60-minute show formats such as Amazon Prime as previously announced. The Influencer establishes an account on the *SponsorCoin* platform through which they receive media content, then modify, add to, and deploy this content through their own social networks. Through their *SponsorCoin* Account, this activity is all tracked and verified allowing the platform to assess the value of this additional content, validates their social media posts and reward the -Influencer with *SponsorCoins*.

*SponsorsOne Media* is a wholly owned Delaware corporation in the U.S. Its purpose is to engage directly with Brands to develop their digital marketing strategy including the production of video, audio, photography, graphics and other web content (“Entertainment Media”). Brands will not be required to pay for the creation of Entertainment Media up front thereby making it more accessible to smaller Brands with limited budgets. Production costs can be offset in some circumstances from distribution partners who often pay for such content. The Entertainment Media will be designed to promote specific Brands and provides content for Micro-Influencers to disseminate to their social network.

*SponsorCoins* and cash (cash is also paid when an influencer obtains a higher level of sponsorship with a Brand) will be the currency used to compensate the Influencers for interacting, engaging and creating social media content around a Brand’s campaign. The *SponsorCoin* platform will monitor all the activity of the Influencer across all social networks and *SponsorCoins* will be awarded to Influencers based on criteria set with the Brand such as quantity, quality, and type of engagement (campaign criteria). The more coins the Influencers earn, the higher the discount level the user will achieve in a tiered format set up by the Brand, entitling the Influencer to greater discounts and better redemption offers. The Influencer will be able to use their *SponsorCoins* to purchase goods and services from the Brand online through their e-commerce store set up through *SponsorCoin* platform. Influencers will also be able to transfer their *SponsorCoins* to charitable organizations or convert their *SponsorCoins* into Bitcoin, Ethereum and Litecoin cryptocurrencies. Exchanging currency within the *SponsorCoin* Platform will allow Influencers to monetize their *SponsorCoins* beyond the marketplace into any currency supported by participating cryptocurrency exchanges.

**SPONSORSONE, INC.****Management's Discussion and Analysis for the Three Months March 31, 2019 & 2018****Dated as at May 24, 2019**

Additionally, the *SponsorsCoin* platform will track and log relevant data, specifically the engagement activity and movement of *SponsorCoins* between the Influencers and Brands within the social networks. This data will then be used to perform analysis and provide marketing analysis for Brands. The Brands interactive dash board and systems intelligence will be available on a subscription-based pricing model based on the size of their influencer community.

**Selected Annual Financial Information**

The following table reflect the summary of results for the periods set out.

	<b>March 31, 2019</b>	2018	2017
	\$	\$	\$
Total Assets	<b>153,887</b>	651,147	203,899
Total Revenue	<b>Nil</b>	Nil	Nil
Net Income (Loss)	<b>-378,304</b>	-1,197,960	-602,304
Net (Loss) Per Share (Basic and Diluted)	<b>-0.01</b>	-0.03	-0.02

**Selected Quarterly Financial Information**

The following table highlights selected unaudited financial information in respect of the previous eight quarters of the Company. The Company's quarterly operating results have varied in the past and may vary substantially in the future. Accordingly, the information below is not necessarily indicative of results for any future quarter.

(Amounts expressed in \$)			
Period	Revenue	Net income (loss)	Basic and diluted loss per share
<b>Q1 – 2019</b>	<b>Nil</b>	<b>-378,304</b>	<b>-0.01</b>
Q4 – 2018	Nil	-672,051	-0.02
Q3 – 2018	Nil	-919,729	-0.02
Q2 – 2018	Nil	893,764	0.03
Q1 – 2018	Nil	-499,944	-0.02
Q4 – 2017	Nil	-98	-
Q3 – 2017	Nil	-193,945	-
Q2 – 2017	Nil	-203,425	-0.01
Q1 - 2017	Nil	-204,836	-0.01

## **SPONSORSONE, INC.**

### **Management's Discussion and Analysis for the Three Months March 31, 2019 & 2018**

**Dated as at May 24, 2019**

#### **Operating Results**

##### **Three months ended March 31, 2019 compared with March 31, 2018**

For the three months ended March 31, 2019, the Company reported a net loss of \$378,304 versus a net loss of \$499,944 in the comparable period for 2018. The current year loss is primarily the result of operating expenditures incurred for the period which aligns with the company's efforts to staff up in anticipation of the product roll out which will be ongoing through 2019 and beyond. The decrease in operating expenditures over prior year is due primarily to the company's efforts in 2018 to retain personnel during the development stage through the use of stock option issuances.

Marketing, general and administrative expenses were \$316,431 during the three months ended 2019 versus \$493,614 in the comparable period in 2018. As the Company focuses on the completion of the software platform, increases in future periods may be incurred as the Company moves from the development stage to the operational stage.

The Company incurred \$55,766 in research and development costs for the three months ended 2019 compared to \$2,661 in the same period in 2018 as expenditures for the software platform were realized. The future amounts needed for research and development are expected to decrease once the software platform is completed.

Depreciation increased in the three month period ending March 31, 2019 compared to the comparable period in 2018 by \$2,437 (\$6,106 -2019 and \$3,669 – 2018) on account of the addition of assets in the second half of 2018.

#### **Liquidity and Capital Resources**

The Company is in the development stage but is nearly ready to shift from development to operations. During the three months ended March 31, 2019, the Company has \$3,958 in cash and negative working capital of \$358,256. The Company will require additional working capital to fund further product development and business development efforts, establishing strategic partnerships, and targeting specific marketing sectors.

SponsorsOne is currently generating negative operating cash flows. The Company will need to raise additional funds to aggressively pursue its business development strategy. Although SponsorsOne has been successful in obtaining financing to date, there can be no assurance that adequate funding will be available in the future, or available under terms favourable to SponsorsOne. Whether and when the Company can attain profitability and positive operating cash flows is uncertain. These uncertainties represent significant risks to the Company's ability to continue as a going concern.

The Company has implemented a strict cash flow management to stretch available resources as far as possible while seeking additional funds. The cash flow management program includes periodic cash flow reviews, pre-approval of all cash expenses and disbursements, and on-going cash balance tracking and management. Management and the board of directors collectively prioritize necessary payments and communicate payment plans with the relevant stakeholders/vendors.

On October 11, 2018, the Company granted 50,000 stock options to a consultant. The option is exercisable at \$0.19 expiring October 11, 2028.

#### **Company Highlights**

- On January 31, 2019 the Company announced it entered into a brand development agreement with Native State Foods Inc of Los Angeles CA.
- On February 12, 2019 the Company announced that it launched its influencer marketing and branding services to the CBD market in the USA

**SPONSORSONE, INC.****Management's Discussion and Analysis for the Three Months March 31, 2019 & 2018****Dated as at May 24, 2019**

- On March 27, 2019 the Company announced that it has completed the integration of the SponsorCoin platform into Fulfillment by Amazon so its Brands can use Amazon's services to inventory, fulfill and ship to customers
- On April 12, 2019 the Company announced it has entered in a Brand Development Agreement with Nano 101 Inc., a CBD patch for the wellness space
- On April 23, 2019, the Company issued stock options, deferred share units and shares of common stock in settlement of debt. SPO issue 700,000 stock option to an officer of the Company, and 500,000 deferred share units to consultants under its shareholder approved stock option and deferred share unit plans. The stock options have a strike price of \$0.09 per common share and a ten-year term. SPO also issued 1,611,111 common shares in satisfaction of \$108,750 in debt to arms length parties.
- On April 26, 2019, the Company issued 300,000 stock options to directors of the Company, with an exercise price of \$0.12 per share for a period of ten years from issuance.
- On May 1, 2019, the Company announced the appointment of Ms. Sandy Kokkinis as the new Chief Financial Officer of the Corporation and the resignation of Mr. Brad Herr from that position.
- On May 10, 2019, the Company issued 100,000 stock options to an office of the Company, with an exercise price of \$0.10 per share for a period of ten years from issuance.

The Company has no commitments for capital expenditures.

**Contingencies and Off-Balance Sheet Arrangements**

The Company has no contingencies and no off-balance sheet arrangements.

**Outstanding Share Data**

As at the date of this report, the following Common Shares and convertible securities of the Company are issued and outstanding:

Common Shares – issued and outstanding	45,585,727
Stock options – vested	5,535,000
Deferred share units (5,500,000 shares granted) – vested	1,000,000
Warrants	20,387,841

**Future Accounting Changes**

New Accounting Standards that became effective during 2018 and standards that were issued but are not yet effective are listed in Footnote 2 to the Financial Statements for the Three Months Ended March 31, 2019. The list of standards and interpretations are those that the Company reasonably expects to be applicable to its financial reporting at a future date. The Company intends to adopt standards when they become effective to the extent such standards are applicable to the Company's operations at that time.

## SPONSORSONE, INC.

### Management's Discussion and Analysis for the Three Months March 31, 2019 & 2018

Dated as at May 24, 2019

#### Transactions with Related Parties

During the three months ended March 31, 2019, officers, directors, and management, which are considered key management, received compensation of \$103,084 (December 31, 2018 - \$1,176,388). Management compensation has been included in the marketing, general and administrative account:

As at	March 31, 2019	December 31, 2018
Consulting fees	\$ 73,175	\$ 271,103
Accounting fees	29,909	130,085
Share-based compensation		775,200
	\$ 103,084	\$ 1,176,388

As at March 31, 2018, included in accounts payable and accrued liabilities is \$31,499 (December 31, 2018 – \$50,693) due to related parties for consulting services.

#### Financial Instruments

Financial instruments recorded at fair value on the statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs). Marketable securities are classified as Level 1.

#### Subsequent Events

- On April 23, 2019, the Company issued stock options, deferred share units and shares of common stock in settlement of debt. SPO issue 700,000 stock option to an officer of the Company, and 500,000 deferred share units to consultants under its shareholder approved stock option and deferred share unit plans. The stock options have a strike price of \$0.09 per common share and a ten-year term. SPO also issued 1,611,111 common shares in satisfaction of \$108,750 in debt to arms length parties.
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- On May 1, 2019, the Company announced the appointment of Ms. Sandy Kokkinis as the new Chief Financial Officer of the Corporation and the resignation of Mr. Brad Herr from that position.
- On May 10, 2019, the Company issued 100,000 stock options to an office of the Company, with an exercise price of \$0.10 per share for a period of ten years from issuance.

#### Accounting Policies

Accounting policies followed by the Company in preparation of its financial statements are summarized in Note 2 to the Consolidated Financial Statements for the three months ended March 31, 2019 and 2018.

## **SPONSORSONE, INC.**

### **Management's Discussion and Analysis for the Three Months March 31, 2019 & 2018**

**Dated as at May 24, 2019**

#### **Standards adopted during the period**

IFRS 2, Share-based payments, was amended in June 2016, and is effective for annual periods beginning on or after January 1, 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 minimal impact on the condensed interim financial statements as at March 31, 2019.

IFRS 9 – Financial instruments ("IFRS 9"), was issued by the IASB in July 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. A new hedge accounting model is introduced and represents a substantial overhaul of hedge accounting which will allow entities to better reflect their risk management activities in the financial statements. The most significant improvements apply to those that hedge non-financial risk, and so these improvements are expected to be of particular interest to non-financial institutions. The new standard is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The Company adopted this standard on January 1, 2018 and it did not have a material impact on the financial statements.

IFRS 15 – Revenue from Contracts with Customers: The IASB issued IFRS 15 in May 2014. The new standard provides a comprehensive framework for recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 is effective for annual periods beginning on or after January 1, 2018 and is to be applied retrospectively with early adoption permitted. Management is currently evaluating the impact the final standard is expected to have on the Company's consolidated financial statements. The Company adopted this standard on January 1, 2018 and it did not have a material impact on the financial statements as the Company is currently not generating operating revenues.

#### **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 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 three month period ended March 31, 2019. The Company is not subject to externally imposed capital requirements.



## **SPONSORSONE, INC.**

### **Management's Discussion and Analysis for the Three Months March 31, 2019 & 2018**

**Dated as at May 24, 2019**

#### **Risks and Uncertainties**

Given the speculative nature of the business of the Company, an investment in the Common Shares should only be considered by those persons who can afford a total loss of their investment. The risks presented below should not be considered to be exhaustive and may not represent all of the risks that the Company may face. It is believed that these are the factors that could cause actual results to be different from expected and historical results. Additional risks and uncertainties not presently known to the Company or that the Company currently deems immaterial may also impair the Company's business operations. If any of the risks described below occur, the Company's business, financial condition, liquidity and results of operations could be materially harmed:

##### *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.

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

##### *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.

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. As at March 31, 2019, the Company had a cash balance of \$3,958 (December 31, 2018 -\$493,494) to settle current liabilities of \$362,214 (December 31, 2018 - \$477,940)

##### *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 paired with fixed interest rates for which are imposed on the Company, 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

## **SPONSORSONE, INC.**

### **Management's Discussion and Analysis for the Three Months March 31, 2019 & 2018**

**Dated as at May 24, 2019**

foreign exchange risk. At March 31, 2019, the Company held \$918 US dollars in its US account. This amount has been reported in these financial statements in the equivalent Canadian dollar currency amount totaling \$1,221 using the foreign currency exchange rate as of March 31, 2019.

#### *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.

#### *Limited Operating History and Sales*

The Company has a limited operating history on which to base an evaluation of its business, financial performance and prospects. As such, the Company's business and prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies in the early stage of development. As the Company is in an early stage and is introducing new products, the Company's revenues may be materially affected by the decisions, including timing decisions, of a relatively consolidated customer base. In addition, it is also difficult to evaluate the viability of the Company's Sponsorcoin platform because the Company has had limited experience to address the risks, expenses and difficulties frequently encountered by companies in their early stage of development, particularly companies in new and rapidly evolving markets such as the Company's target markets. There can be no assurance that the Company will be successful in addressing these risks, and the failure to do so in any one area could have a material adverse effect on the Company's business, prospects, financial condition and results of operations.

#### *No Assurance of Profitability*

The Company cannot give assurances that it will not incur net losses in the future. The limited operating history makes it difficult to predict future operating results. The Company is subject to the risks inherent in the operation of a new business enterprise in an emerging business sector, and there can be no assurance that the Company will be able to successfully address these risks.

#### *Future Capital Needs; Uncertainty of Additional Funding*

The Company may not be able to fully implement and execute its business strategy without additional financing. There can be no assurance that such additional financing will be available, and if available, there can be no assurance that the cost of obtaining such financing will be on favourable or reasonable commercial terms or that financing will not result in substantial dilution to the Company's shareholders.

#### *Dependence on Key Personnel*

The Company's future success depends on its ability to retain key employees and attract, train, retain and successfully integrate new talent into its management team. The Company's success is highly dependent on its continuing ability to identify, hire, train, motivate and retain appropriate personnel. Competition for these personnel can be intense, and the Company cannot provide assurance that it will be able to attract or retain them. To do so, it may be necessary for the Company to materially increase the compensation it pays.

#### *Management of Growth*

The Company may experience a period of significant growth in the number of personnel that will place a strain upon its management systems and resources. Its future will depend in part on the ability of its officers and other key employees to implement and improve financial and management controls, reporting systems and procedures on a timely basis and to expand, train, motivate and manage the workforce. The Company's current and planned personnel, systems, procedures and controls may be inadequate to support its future operations.

## **SPONSORSONE, INC.**

### **Management's Discussion and Analysis for the Three Months March 31, 2019 & 2018**

**Dated as at May 24, 2019**

#### *Competition*

Competition in the advertising industry as it relates to digital and social media is increasing. While the Company is targeting smaller niche sites with higher expected revenues per subscriber, there can be no assurances that competitors will not adopt a similar strategy and attempt to enter the markets that the Company has targeted.

#### *Dependence on Proprietary Technology and Limited Protection Thereof*

The Company will be relying on a combination of trademark, copyright, patent and trade secret law, as well as confidentiality restrictions contained in certain confidentiality agreements, to establish and protect the Company's proprietary rights in its intellectual property. As a result, the Company may not be able to adequately prevent a competitor, business partner or customer from creating or obtaining an illegal copy of its software or otherwise using it for inappropriate purposes such as reverse engineering.

#### *General Economic Trends*

The worldwide economic slowdown and tightening of credit in the financial markets may impact the business of the Company's customers, which could have an adverse effect on the Company's business, financial condition, or results of operations. Adverse changes in general economic or political conditions in any of the major countries in which the Company does business could also adversely affect the Company's operating results.

#### *Asset Location and Legal Proceedings*

Substantially all of the Company's assets are located in Canada where intellectual property is generally enforced. Social media is global in nature, and the Company expects to have subscribers and assets located outside of Canada. Accordingly, the Company may be subject to legal proceedings and judgments in foreign jurisdictions.

#### *Risk Associated with Foreign Operations in Developing Countries*

The Company's primary revenues are expected to be achieved in North America initially. However, the Company may expand to markets outside of North America and become subject to risks normally associated with conducting business in a developing country. The Company cannot predict government positions on such things as foreign investment, intellectual property rights or taxation. A change in government positions on these issues could adversely affect the Company's business.

#### *Market Acceptance*

The Company's ability to gain and increase market acceptance of its platform depends upon its ability to establish and maintain its brand name and reputation. In order to do so, substantial expenditures on market research, product development, product testing, strategic relationships and marketing initiatives may be required.

#### *Rapid Technological Change*

The advertising industry as it relates to social and digital media marketing is characterized by rapid technological change, changes in user and customer requirements and preferences, frequent new product and service introductions embodying new technologies and emergence of new industry standards and practices that could render the Company's existing products and systems obsolete and can exert price pressures on existing products. It is critical to the Company's success that it is able to anticipate and react quickly to changes in technology or in industry standards and successfully develop and introduce new, enhanced and competitive products on a timely basis. The Company cannot give assurance that it will successfully develop new products or enhance and improve its existing products, that new products and enhanced and improved existing products will achieve market acceptance or that the introduction of new products or enhanced existing products by others will not render the Company's products obsolete. The process of developing new technology is complex and uncertain, and, if the Company fails to accurately predict customers' changing needs and emerging technological trends, its business could be harmed. The Company must commit significant resources to developing new products before knowing whether its investments will result in products the market will accept. To remain competitive, the Company may be required to invest significantly greater resources than currently anticipated in research and development and product enhancement efforts, and result in increased operating expenses.

## **SPONSORSONE, INC.**

### **Management's Discussion and Analysis for the Three Months March 31, 2019 & 2018**

**Dated as at May 24, 2019**

#### *Product Defects and Reputation*

The Company will continue developing source code for its platform. Such source code and related products may contain errors or hidden defects that may significantly impact the user experience. The Company may not be able to correct the defects in a timely manner and may lead to a loss of or a delay in market acceptance. In addition, such errors or hidden defects could cause adverse damage to its reputation and impair its ability to acquire new users. In addition, the Company may need to make significant expenditures to eliminate defects from its products. As well, errors and defects could lead to claims for liability or other claims involving costly litigation.

#### *Electronic Communication Security Risks*

A significant potential vulnerability of electronic communications is the security of transmission of confidential information over public networks. Anyone who is able to circumvent the Company's security measures could misappropriate proprietary information or cause interruptions in its operations. The Company may be required to expend capital and other resources to protect against such security breaches or to alleviate problems caused by such breaches.

#### *Data Transmission*

The Company transmits the majority of the content of its Sponsorcoin platform as a service over the Internet. If the Company experiences transmission failures or limited transmission capacity on the Internet or other data networks the Company may use, it may be unable meet its commitments.

#### *Insurance Coverage*

The Company will require insurance coverage for a number of risks, including business interruption, environmental matters and contamination, personal injury and property damage. Although the Company believes that the events and amounts of liability covered by its insurance policies will be reasonable, taking into account the risks relevant to its business, and the fact that agreements with users contain limitations of liability, there can be no assurance that such coverage will be available or sufficient to cover claims to which the Company may become subject. If insurance coverage is unavailable or insufficient to cover any such claims, the Company's financial resources, results of operations and prospects could be adversely affected.

#### *Tax Risk*

The Company will be considered to have been carrying on business in Canada for purposes of the *Income Tax Act* (the "**Tax Act**"). However, the Company will be operating in the social and digital media space, a new and developing industry that has had historically low regulations and tax compliance. There is risk that foreign governments may look to increase their tax revenues or levy additional taxes to level the playing field for perceived disadvantages to the traditional brick and mortar business. While the Company does not foresee any adverse tax affects, there is no guarantee that governments will not impose such additional adverse taxes in the future.

#### *Risks in Foreign Jurisdictions*

Social media is a global phenomenon, and the Company anticipates that a significant user base will be located outside Canada. International business activities entail additional risks such as uncertainty as to the protection and use of intellectual property, partnership risks, political risks, legal and regulatory risks, the risk of increase in taxes (including value added taxes) and trade barriers. Furthermore, as profits of foreign subsidiaries are taxable under foreign income tax legislation, revenues from foreign operations could be adversely impacted.

#### *Currency Fluctuations*

Due to the Company's present operations, and its intention to in the future operate in jurisdictions outside Canada, the Company is expected to be exposed to significant currency fluctuations in the future. Recent events in the global financial markets have been coupled with increased volatility in the currency markets. A substantial portion of the Company's revenue could be earned in US dollars, but a substantial portion of its operating expenses are incurred in

**SPONSORSONE, INC.**

**Management's Discussion and Analysis for the Three Months March 31, 2019 & 2018**

**Dated as at May 24, 2019**

Canadian dollars. Fluctuations in the exchange rate between the US dollar and other currencies, such as the Canadian dollar, may have a material adverse effect on the Company's business, financial condition and operating results. The Company intends to continue to expand operations globally so it may be subject to additional gains and losses against additional currencies. The Company does not currently have a foreign exchange hedging program in place. However, in the future, it may establish a program to hedge a portion of its foreign currency exposure with the objective of minimizing the impact of adverse foreign currency exchange movements. However, even if the Company develops a hedging program, it may not hedge its entire exposure to any one foreign currency, and it may not hedge its exposure at all with respect to certain foreign currencies.

*Fluctuations in Quarterly Results*

The Company's quarterly operating results may fluctuate significantly in the future depending on factors such as the popularity of social media, the ability to attract users, progress on implementation of projects and upgrades, the number, timing and significance of new product announcements by the Company and its competitors, the ability to license and develop new VSN, introduce and market new and enhanced versions of products on a timely basis, changes in operating expenses, and general economic factors, among others. A significant portion of the Company's expenses are based on expectations of future revenue and, therefore, is relatively fixed in the short-term. Accordingly, if revenue levels are below expectations, operating results are likely to be adversely affected. As quarterly revenue is dependent upon building a significant user base, and the ability to monetize that user base, the inability to build and monetize the user base could cause the Company to plan or budget inaccurately, and those variations could adversely affect its financial results.

*Officer and Director Conflicts*

The Company's officers and directors may have certain interests and arrangements that are different from, or in addition to the Company's shareholders. Executive officers and directors may have rights to indemnification including directors' and officers' liability insurance that will survive consummation of their agreements.