SPONSORSONE INC.

Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2019

(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.

October 29, 2019

"Myles Bartholomew" (signed)
Myles Bartholomew, CEO

"Sandy Kokkinis" (signed)
Sandy Kokkinis, CFO

SPONSORSONE INC.

Condensed Interim Statements of Financial Position
(Unaudited)
As at September 30, 2019

	Note	September 30, 2019	December 31, 2018 (Audited)
Assets			
Current assets:			
Cash and cash equivalents		**2,464**	493,494
Other receivables	3	**87,000**	-
		89,464	493,494
Capital assets, net	4	**140,666**	157,653
		230,130	651,147
Liabilities and Shareholders' Deficit			
Current liabilities:			
Accounts payable and accrued liabilities	5 & 15	**488,690**	302,679
HST/GST Payable	6	**49,300**	148,872
Notes Payable	8	**33,945**	-
Convertible Note Payable	9	**67,847**	
Current portion of long-term debt	7	**26,389**	26,389
		666,171	477,940
Long-term liabilities			
Long-term debt	7	**23,611**	23,611
		689,782	501,551
Shareholders' deficit			
Share capital	10	**6,695,398**	6,521,513
Shares subscribed but not issued	10	**-**	-
Shares to be issued	10	**232,616**	232,616
Share-based payment reserve	11	**2,295,741**	2,043,299
Warrant reserve	12	**2,179,350**	2,186,475
Equity adjustment from foreign currency translation		**(5,140)**	(4,376)
Accumulated deficit		**(11,857,617)**	(10,829,931)
		(459,652)	149,596
		230,130	651,147

Nature of Operations and Going Concern – *Note 1*
Subsequent Event – *Note 19*

Approved on behalf of the Board:

"Myles Bartholomew"	"Gary Bartholomew"
Director (Signed)	Director (Signed)

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

SPONSORSONE INC.

Condensed Interim Statements of Operations and Comprehensive Loss
(Unaudited)
For the three and nine months ended September 30, 2019

	Note	**3 months ended September 30, 2019**	3 months ended September 30, 2018	**9 months ended September 30, 2019**	9 months ended September 30, 2018
Revenue		**100,000**	-	**100,000**	-
Operating expenses:					
Marketing, general and administrative		**184,139**	1,120,137	**986,847**	1,800,892
Research and development		**14,759**	-	**125,667**	2,661
Depreciation	**4**	**2,935**	2,829	**15,172**	11,007
HST Assessment	**6**	**-**	-	**-**	194,994
Loss before finance expense and other income		**101,833**	1,122,966	**1,027,686**	2,009,554
Finance expense		**-**	-	**-**	4,647
Other income - settlement of accounts payable	**6**	**-**	203,237	**-**	1,488,291
Net income (loss) and comprehensive income (loss)		**(101,833)**	(919,729)	**(1,027,686)**	(525,910)
Weighted average number of common shares	**13**	**48,171,848**	40,233,818	**46,778,391**	33,731,132
Loss per share - basic and diluted	**13**	**(0.00)**	(0.02)	**(0.02)**	(0.02)

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

SPONSORSONE INC.

Condensed Interim Statements of Changes in (Deficit) Equity
(Unaudited)
For the nine months ended September 30, 2019 and 2018

	Number of common shares	Share capital	Shares to be issued	Shares subscribed but not issued	Special Warrants	Warrants	Share-based payment reserve	CTA	Deficit	Total
Balance at December 31, 2018	45,585,737	6,521,512	232,616	-	-	2,186,475	2,043,299	(4,373)	(10,829,931)	149,598
Shares issued on private placement, net	-	-	-	-	-	-	-	-	-	-
Special warrants issued	-	-	-	-	-	-	-	-	-	-
Special warrants exercised	-	-	-	-	-	-	-	-	-	-
Units issued in public offering	-	-	-	-	-	-	-	-	-	-
Warrants exercised	375,000	25,875	-	-	-	(7,125)	-	-	-	18,750
Shares issued in debt settlement	2,211,111	148,011	-	-	-	-	-	-	-	148,011
DSU's vested in the period	-	-	-	-	-	-	193,192	-	-	193,192
Share-based payments	-	-	-	-	-	-	59,250	-	-	59,250
Net loss for the period	-	-	-	-	-	-	-	(767)	(1,027,686)	(1,028,453)
Balance at September 30, 2019	**48,171,848**	**6,695,398**	**232,616**	**-**	**-**	**2,179,350**	**2,295,741**	**(5,140)**	**(11,857,617)**	**(459,652)**

	Number of common shares	Share capital	Shares to be issued	Shares subscribed but not issued	Special Warrants	Warrants	Share-based payment reserve	CTA	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	55,125	-	(90,000)	-	49,875	-	-	-	15,000
Special warrants issued	-	-	-	-	228,287	25,800	-	-	-	254,087
Special warrants exercised	1,725,283	164,548	-	-	(228,287)	63,739	-	-	-	-
Units issued in public offering	12,425,742	1,068,755	-	-	-	787,661	-	-	-	1,856,416
Warrants exercised	375,000	25,875	-	-	-	(7,125)	-	-	-	18,750
Shares issued in debt settlement	400,000	84,242	-	-	-	-	-	-	-	84,242
DSU's vested in the period	250,000	47,500	-	-	-	-	(47,500)	-	-	-
Share-based payments	-	-	-	-	-	-	1,286,000	-	-	1,286,000
Net loss for the period	-	-	-	-	-	-	-	(4,373)	(1,197,960)	(1,202,333)
Balance at December 31, 2018	**45,585,737**	**6,521,512**	**232,616**	**-**	**-**	**2,186,475**	**2,043,299**	**(4,373)**	**(10,829,931)**	**149,598**

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

SPONSORSONE INC.

Condensed Interim Statements of Cash Flows
(Unaudited)
For the nine months ended September 30, 2019

	Note	2019	2018
Cash flows from operating activities:			
Net income (loss) for the period		**(1,027,686)**	(525,910)
Adjustments for:			
Depreciation	**4**	**15,172**	11,007
Share-based compensation	**11**	**252,442**	1,065,000
Change in non-cash operating working capital			
Other receivables	**3**	**(87,000)**	19,733
Accounts payable and accrued liabilities	**5**	**186,011**	(1,710,062)
Settlement of debt		**-**	-
Note Payable	**8**	**33,945**	
HST Payable	**6**	**(99,572)**	256,009
		(726,688)	(884,223)
Cash flows from financing activities:			
Equity adjustment for foreign currency translation		**1,050**	-
Proceeds from issuance of securities, net	**10**	**-**	2,191,342
Shares issued in debt settlement	**10**	**148,010**	-
Warrants exercised	**10**	**18,751**	-
Payment of bank debt	**7**	**-**	(137,695)
Long-term Debt	**7**	**-**	-
Convertible Note Payable	**9**	**67,847**	
Accrued interest expense		**-**	-
Proceeds from shares subscribed but not issued		**-**	-
		235,658	2,053,647
Cash flows from investing activities:			
Investment in property and equipment	**4**	**-**	-
		-	-
Increase (decrease) in cash and cash equivalents		**(491,030)**	1,169,424
Cash and cash equivalents, beginning of period		**493,494**	60,460
Cash and cash equivalents, end of period		**2,464**	1,229,884

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

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 several 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 acquire.

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 and users within social networks.

These consolidated financial statements were authorized by the Board of Directors of the Company on October 29, 2019.

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 ending September 30, 2019, the Company has generated a net loss $1,027,686 and had a working capital deficit of $576,707.

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 considers all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. Management recognizes that the Company has insufficient capital to continue operations for the coming twelve months without additional investment capital and there are continuing uncertainties regarding the costs of operations and the timing of revenues that cast significant doubt upon the Company's ability to continue as a going concern. Management believes that it can generate and/or raise enough funds to pay its ongoing administrative expenses and to meet its liabilities for the ensuing twelve months as they fall due.

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

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of Compliance with International Financial Reporting Standards

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

b) Basis of presentation

These consolidated interim financial statements have been prepared in accordance with IFRS, as applicable to interim financial reports including International Accounting Standards 34 – Interim Financial Reporting. Therefore, these condensed consolidated interim financial statements do not include all the information and note disclosure required by IFRS for annual financial statement and should be read in conjunction with the annual consolidated financial statements for the 12 month period ended December 31, 2018, which have been prepared in accordance with IFRS.

These condensed consolidated financial statements have been prepared on a historical cost basis using accounting policies and methods consistently applied over the periods presented.

c) Functional currency

The Company's functional and reporting currency as determined by management, is the Canadian dollar ("CAD"), which is the Company's presentation currency. As at September 30, 2019, the functional currency of the Company's wholly owned subsidiary, SponsorsOne Media Inc., was determined to be the United States dollar. The functional currency of all other subsidiaries as at September 30, 2019 were determined to be the Canadian dollar ("CAD").

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 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 assets, the calculation of the fair value of share based payments, provisions for income taxes, assessment of going concern assumption and functional currency.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) 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 consolidated financial statements as at September 30, 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 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 as September 30, 2019.

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. 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.

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 in future periods. The Company has assessed the new standard and there was no significant impact to the consolidated financial statements when adopted.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

The financial statements of foreign subsidiaries for which the functional currency is not the Canadian dollar are translated into Canadian dollars using the exchange rate in effect at the end of the reporting period for assets and liabilities and the average exchange rates for the period for revenue, expenses and cash flows. Foreign exchange differences arising on translation are recognized in other comprehensive income (loss) and in the cumulative transaction adjustment in shareholders' equity.

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 5 years for computer and office equipment and 15 years for marketing vehicle.

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

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

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 enough 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.

Effective January 1, 2018, the Company adopted IFRS 9 - Financial Instruments ("IFRS 9"). In July 2014, the IASB issued the final publication of the IFRS 9 standard, which supersedes lAS 39 - Financial Instruments: recognition and measurement ("lAS 39"). IFRS 9 includes revised guidance on the classification and measurement of financial instruments, new guidance for measuring impairment on financial assets, and new hedge accounting guidance. The Company has adopted IFRS 9 on a retrospective basis, however, this guidance had no impact to the Company's consolidated financial statements.

Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 contains the primary measurement categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVTOCI") and fair value through profit and loss ("FVTPL").

The new hedge accounting guidance aligns hedge accounting more closely with an entity's risk management objectives and strategies. IFRS 9 does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness; however, it allows more hedging strategies used for risk management to qualify for hedge accounting and introduces more judgement to assess the effectiveness of a hedging relationship, primarily from a qualitative standpoint. The Company has elected to continue with lAS 39 for hedging. This does not have any effect on the reported results.

Below is a summary showing the classification and measurement bases of our financial instruments as at January 1, 2018 as a result of adopting IFRS 9 (along with comparison to lAS 39).

Classification	**IAS 39**	**IFRS 9**
Cash	FVTPL	FVTPL
Accounts payable and accrued liabilities	Other financial liabilities	Amortized Cost
Debt	Other financial liabilities	Amortized Cost

As a result of the adoption of IFRS 9, the accounting policy for financial instruments as disclosed in the Company's December 31, 2017 consolidated financial statements has been updated as follows:

Financial assets

Financial assets are classified as either financial assets at FVTPL, amortized cost, or FVTOCI. The Company determines the classification of its financial assets at initial recognition.

i. Financial assets recorded at FVTPL

Financial assets are classified as FVTPL if they do not meet the criteria of amortized cost or FVTOCI. Gains or losses on these items are recognized in profit or loss. The Company's cash is classified as financial assets measured at FVTPL.

ii. Amortized cost

Financial assets are classified as measured at amortized cost if both of the following criteria are met and the financial assets are not designated as at FVTPL: 1) the object of the Company's business model for these financial assets is to collect their contractual cash flows; and 2) the asset's contractual cash flows represent "solely payments of principal and interest". The Company's amounts receivable, funds held in trust, and amounts due from related parties are classified as financial assets measured at amortized cost.

Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or at amortized cost. The Company determines the classification of its financial liabilities at initial recognition.

i. Amortized cost

Financial liabilities are classified as measured at amortized cost unless they fall into one of the following categories: financial liabilities at FVTPL, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition, financial guarantee contracts, commitments to provide a loan at a below-market interest rate, or contingent consideration recognized by an acquirer in a business combination.

The Company's accounts payable and accrued liabilities, promissory note and amounts due to related parties do not fall into any of the exemptions and are therefore classified as measured at amortized cost.

ii. Financial liabilities recorded FVTPL

Financial liabilities are classified as FVTPL if they fall into one of the five exemptions detailed above.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Transaction costs

Transaction costs associated with financial instruments, carried at FVTPL, are expensed as incurred, while transaction costs associated with all other financial instruments are included in the initial carrying amount of the asset or the liability.

Subsequent measurement

Instruments classified as FVTPL are measured at fair value with unrealized gains and losses recognized in profit or loss. Instruments classified as amortized cost are measured at amortized cost using the effective interest rate method. Instruments classified as FVTOCI are measured at fair value with unrealized gains and losses recognized in other comprehensive income.

Derecognition

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled, or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Expected credit loss impairment model

IFRS 9 introduced a single expected credit loss impairment model, which is based on changes in credit quality since initial application. The adoption of the expected credit loss impairment model had no impact on the Company's consolidated financial statements.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full or when the financial asset is more than 90 days past due.

The carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Financial instruments at fair value through profit and loss

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).

The carrying amount reflected above represents the Company's maximum exposure to credit risk for such loans and receivables. As at December 31, 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, except for cash. The carrying value of cash, other receivables and accounts payable and accrued liabilities approximate fair value due to the short-term nature of these instruments.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Impairment of non-financial assets

The Company reviews its tangible 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 groups of assets.

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

No impairments of non-financial assets have been recorded for the periods ended September 30, 2019 or 2018.

3. OTHER RECEIVABLES

	September 30, 2019	September 30, 2018	December 31, 2018
HST receivable	$ -	$ 16,332	$ -
Other receivables	**87,000**	-	-
	$ 87,000	$ 16,332	$ -

The Company's receivables arose from revenue generated during the quarter ending September 30, 2019.

4. CAPITAL ASSETS

		Electronic equipment		Marketing vehicle		Total
Cost						
At December 31, 2017	$	5,608	$	219,596	**$**	**225,204**
Additions for the period		47,608		-		**47,608**
Foreign currency translation		17,339		-		**17,339**
Balance at December 31, 2018	$	70,555	$	219,596	**$**	**290,151**
Additions for the period						**-**
Foreign currency translation		(7,508)				**(7,508)**
Balance at September 30, 2019	**$**	**63,047**	**$**	**219,596**	**$**	**282,643**
Accumulated depreciation						
At December 31, 2017	$	5,608	$	112,222	**$**	**117,830**
Additions for the period		1,587		12,503		**14,090**
Foreign currency translation		578				**578**
Balance at December 31, 2018	$	7,773	$	124,725	**$**	**132,498**
Additions for the period		6,326		8,846		**15,172**
Foreign currency translation		(5,693)				**(5,693)**
Balance at September 30, 2019	**$**	**8,406**	**$**	**133,571**	**$**	**141,977**
Net book value						
At September 30, 2019	**$**	**54,641**	**$**	**86,025**	**$**	**140,666**
At December 31, 2018	$	62,782	$	94,871	$	157,653

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are comprised of the following:

As at,		**June 30, 2019**		December 31, 2018
Accounts payable	**$**	**209,365**	$	212,803
Accrued liabilities		**130,272**		83,055
	$	**339,637**	$	295,858

6. HST PAYABLE

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. On May 30, 2019, the appeal review was completed and resulted in a tax correction credit of $93,720. As at September 30, 2019, the balance in HST Payable includes the final amount owing, less any payments 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 December 31, 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 December 31, 2018, this loan was paid in full (December 31, 2017 – $109,177).

In connection with the debt settlements negotiated during the fiscal year 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. The loans mature on June 15, 2021 and bear interest at 12% per annum. As at December 31, 2018, $50,000 of this long-term debt remained outstanding. The current portion of long-term debt consisting of principal payments due over the twelve-month period ending December 31, 2019 total $26,389. Interest payable on the note as at June 30, 2018 was $8,500 which is included in accounts payable and accrued liabilities as at September 30, 2019.

Debt activity during the years were as follows:

Balance December 31, 2016	$	166,047
Interest		21,648
Payments		(50,000)
Balance December 31, 2017		137,695
Interest		2,241
Payments		(139,936)
Additions		50,000
Balance December 31, 2018	$	50,000
Interest		-
Payments		-
Additions		-
Balance September 30, 2019	$	50,000

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

As at December 31, 2019	2021	2020	2019	2018	2017
Payments due within one year	$ 6,944	$ 16,667	$ 26,389	$ -	$ 137,695

8. PROMISSORY NOTE

On April 29, 2019, the Company signed a promissory note for $25,000. The note bears 15% per annum with a maturity of six months.

On May 28, 2019, the Company signed a promissory note for $7,000. The note bears 15% per annum with a maturity of six months.

9. CONVERTIBLE NOTE PAYABLE (UNSECURED DEBENTURES)

SPO announced a private placement of up to US$500,000 of unsecured convertible debentures. The Debentures will mature up to 3 years from the Closing Date (the “Maturity Date”) bearing interest, at the option of the subscriber (to be selected at the time of entering into their subscription), at a rate of either: (i) 15% per annum payable semi-annually in arrears on May 31 and November 30 of each year commencing on May 31, 2019; or (ii) 10% per annum payable, in advance, in common shares of the Company issued based on a price per common share equal to the weighted average closing price of the common shares for the 150 trading days ending on Closing Date, payable within three days of the Closing Date. The holders of the Debentures will be entitled to convert all or part the principal amount of the Debentures into units (“Units”) of the Corporation at a price of USD$0.10 per Unit at any time prior to the close of business on the tenth business day immediately preceding the Maturity Date. The Units will be comprised of one common share and a one-half warrant. Each whole warrant will be exercisable into one (1) common share at an exercise price of USD$0.20 per common share.

In June, SPO received total proceeds of US$50,000 ($64,500 CAD) for its first closing of a US$500,000 private placement of unsecured convertible debentures. This debenture has a maturity of 180 days after closing and bears an interest of 15% per annum.

10. SHARE CAPITAL

Authorized:

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

Issued:

As at September 30, 2019, a total of 48,171,848 shares of common stock are issued and outstanding.

(i) On April 24, 2019, the Company issued 1,611,111 common shares at a price of $0.07 per share in satisfaction of $108,750 of debt to arm’s length parties.
(ii) On April 29, 2019, a total of 375,000 warrants were exercised at $0.05, netting the Company $18,750 in capital. The warrants exercised had a value of $7,125 transferred from warrant reserve to share capital.
(iii) On August 20, 2019, the Company issued 600,000 common shares at a price of $0.065 ($0.05 USD) per share in satisfaction of $39,261 ($30,000 USD) of debt to arm’s length party.

11. 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 always comply with the policies of the Canadian Stock Exchange and the Plan.

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

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

11. SHARE-BASED PAYMENT RESERVE (continued)

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, 2018 and 2017	$	0.28	5,860,000
Issued October 11, 2018		0.19	50,000
Issued April 19, 2019		0.09	100,000
Issued April 22, 2019		0.09	600,000
Issued April 26, 2019		0.12	300,000
Issued May 11, 2019		0.10	100,000
Balance at September 30, 2019			**7,010,000**

On October 11, 2018, the Company issued 50,000 stock options to consultants with an exercise price of $0.19 per share for a period of 10 years from the date of issuance.

On April 24, 2019, the Company issued 700,000 stock options and 500,000 deferred share units to consultants and an officer 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 10-year term.

On April 26, 2019, the Company issued 300,000 stock options to officers under its shareholder approved stock option plan. The stock options have a strike price of $0.12 per common share and a 10-year term.

On May 10, 2019, the Company issued 100,000 stock options to an officer under its shareholder approved stock option plan. The stock options have a strike price of $0.10 per common share and a 10-year term.

The following table summarizes the exercise price of outstanding and exercisable stock options as at September 30, 2019:

Range of exercise prices	Number of options	Weighted average remaining life (years)	Vested and exercisable
$0.05 - $0.30	6,135,000	7.32	5,760,000
$0.31 - $0.90	625,000	0.60	625,000
$0.91 - $1.00	250,000	0.16	250,000
$0.05 - $1.00	**7,010,000**	8.08	**6,635,000**

Deferred Share Units

The Board of Directors of the Company adopted a deferred share unit plan (the "DSU Plan"). The DSU Plan is administered by the Board of Directors and grants made pursuant to the Plan must always comply with the policies of the Canadian Stock Exchange and the Plan.

The terms of any DSU's granted under the DSU Plan are fixed by the Board of Directors. DSU's have a right to share in common dividends if any are authorized after the DSU's become vested in accordance with their terms. DSU's have no voting rights.

In addition to the stock options referenced above, the Company issued 500,000 deferred share units on August 1, 2018 and an additional 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 1, 2018 were subject to vesting requirements under which 50% of the DSU's vested upon issuance and the remaining 50% 90 days after issuance. 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 1,500,000 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, all the DSU's granted in 2018 (of which 1,000,000 were vested), the Company recorded stock-based compensation expense of $383,000. Up to $612,000 of additional compensation expense will be recorded over the remaining vesting period of the DSU's. If any of the DSU's expire prior to vesting, the compensation expense will be reduced.

The fair value of the DSU's granted in 2018 were valued based on the fair market value of one common share on the date of issuance.

During the period ended September 30, 2019, the Company granted 500,000 deferred share units to a consultant under its deferred share unit plan.

The fair values of stock options issued in 2019 were estimated using the Black-Scholes option pricing model with the following assumptions:

	Options May 1, 2019	**Options April 26, 2019**	**Options April 22, 2019**	**Options October 11, 2018**
Assumptions				
Volatility	177%	177%	177%	177%
Risk-free interest rate	1.70%	1.67%	1.67%	2.51%
Expected life (years)	10	10	10	10
Dividend yield	Nil	Nil	Nil	Nil
Forfeiture rate	0%	0%	0%	0%
Exercise Price	$0.10	$0.12	$0.09	$0.19
Share Price	$0.10	$0.12	$0.09	$0.19

12. WARRANT RESERVE

The following is a summary of warrants as at September 30, 2019:

Expiry date		Balance December 31, 2018	Granted	Exercised	Expired or Retracted	Balance September 30, 2019	Weighted Average Exercise Price	
July 4, 2020	(a)	6,790,784	-	-	-	6,790,784	$	0.30
May 8, 2020	(b)	2,350,548	-	-	-	2,350,548	$	0.15
Jan 5, 2020	(c)	2,250,000	-	375,000	-	1,875,000	$	0.05
May 16, 2020	(d)	156,844	-	-	-	156,844	$	0.18
July 30, 2020	(e)	6,997,091	-	-	-	6,997,091	$	0.30
July 30, 2020	(f)	1,842,574	-	-	-	1,842,574	$	0.18
Total		**20,387,841**	**-**	**375,000**	**-**	**20,012,841**	**$**	**0.19**

The following is a summary of warrants as at December 31, 2018:

Expiry date		Balance December 31, 2017	Granted	Exercised	Expired or Retracted	Balance December 31, 2018	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	375,000	-	2,250,000	$	0.30
May 16, 2019	(d)	-	156,844	-	-	156,844	$	0.18
July 30, 2019	(e)	-	6,997,091	-	-	6,997,091	$	0.30
July 30, 2020	(f)	-	1,842,574	-	-	1,842,574	$	0.18
Total		**9,141,332**	**11,621,509**	**375,000**	**-**	**20,387,841**	**$**	**0.24**

(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 to July 4, 2019.

(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. On August 29, 2018, warrants to purchase 125,000 of these shares at $0.05 per share were exercised. On October 23, 2018, warrants to purchase an additional 250,000 of these shares at $0.05 per share were exercised. In the aggregate, the company received $18,750 for the warrants.

(d) On May 16, 2018, 1,568,440 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 30, 2018, the Special Warrants were converted into Units in the public offering (Note 9). The Company also issued 156,844 brokers units under the Special Warrant offering. The brokers' units are currently exercisable at $0.18 per share and expire on May 16, 2020. These units are exercisable into one common share and one-half of one common share purchase warrant. Each whole purchase warrant is exercisable into one common share of the Company at a price of $0.30 per share.

(e) On July 30, 2018, the Company closed its public offering resulting in issuance of 6,212,871 warrants from the public offering exercisable at $0.30 per share and 784,220 warrants from conversion of the Special Warrants, also exercisable at $0.30 per share. These warrants, aggregating 6,997,091, expire on July 30, 2019

(f) On July 30, 2018, in connection with the closing of its public offering, the Company issued 1,842,574 brokers' units exercisable at $0.18 per share. The brokers' units are currently exercisable and expire on July 30, 2020. These units are exercisable into one common share and one-half of one common share purchase warrant. Each whole purchase warrant is exercisable into one common share of the Company at a price of $0.30 per share.

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	Warrant July 30, 2018	Broker Unit July 30, 2018	Broker Unit May 16, 2018	Warrant January 5, 2018
Volatility	190.94	203.05%	240.85%	236.91%
Risk-free interest rate	2.05%	2.05%	2.01%	1.75%
Expected life (years)	1	2	2	2
Dividend yield	Nil	Nil	Nil	Nil
Forfeiture rate	0%	0%	0%	0%
Exercise price	$0.30	$0.18	$0.18	$0.05
Share price	$0.19	$0.18	$0.18	$0.21
Fair value	$568,700	$282,700	$25,800	$49,800

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

13. LOSS PER SHARE

The calculation of basic and diluted loss per share for the period ended September 30, 2019 was based on the loss attributable to common shareholders of $1,027,686 (2018 – loss of $525,910) and the weighted average number of common shares outstanding of 46,778,391 (2018 – 33,731,132). Diluted loss per share did not include the effect of 7,010,000 stock options (2018 – 5,860,000) and 20,012,841 warrants (2018 – 12,048,651) as they are anti-dilutive.

14. INCOME TAXES

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2017 – 26.5%) to the effective tax rate is as follows:

		2018		2017
Net loss before recovery of income taxes	$	1,197,960	$	602,304
Expected income tax recovery	$	(317,459)	$	(159,610)
Differences in foreign tax rates		24,494		-
Book to filing adjustments		(5,196)		-
Non-deductible expenses		414,820		24,370
Share issuance costs		(111,746)		-
Additional taxable income		-		70,960
Change in tax benefits not recognized		(4,913)		64,280
Income tax expense	$	-	$	-

Unrecognized Deferred Tax Assets

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

		2018		2017
Property, plant and equipment	$	**2,165**	$	53,160
Intangible asset		**74,889**		105,330
Share issuance costs		**337,806**		26,580
Non-capital losses carried forward – Canada		**6,989,530**		7,587,560
Non-capital losses carried forward – US		**441,847**		-

The Canadian non-capital loss carry-forward expires as noted in the table below. Share issue and financing costs will be fully amortized in 2022. The remaining deductible temporary differences may be carried forward indefinitely.

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

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

2027	$	379
2028		304
2029		148
2030		-
2031		569
2032		2,028
2033		1,121,738
2034		1,757,365
2035		2,667,012
2036		808,845
2037		576,393
2038		54,749
Aggregate Total	**$**	**6,989,530**

15. RELATED PARTY TRANSACTIONS

During the period ended September 30, 2019, officers, directors, and key management personnel received compensation totaling $467,020 (December 31, 2018 - $1,176,388). Management compensation has been included in the marketing, general and administrative account:

As at	**June 30, 2019**	December 31, 2018
	$	$
Consulting fees	**196,872**	271,103
Accounting fees	**78,584**	130,085
Share-based compensation	**91,000**	775,200
	$	$
	366,456	1,176,388

As at September 30, 2019, included in accounts payable and accrued liabilities is $185,948 (December 31, 2018 – $50,693) due to related parties for consulting services.

16. FINANCIAL RISK FACTORS

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

Credit Risk

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

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. As at September 30, 2019, the Company had a cash balance of 2,464 (December 31, 2018 - $493,494) to settle current liabilities of $666,171 (December 31, 2018 - $477,940) (Note 1).

All 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.

FINANCIAL RISK FACTORS (continued)

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 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, 2019, the Company held $0 US dollars in its US account.

Other price risks

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 risks.

17. 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 year. The Company is not subject to externally imposed capital requirements.

18. SEGMENT REPORTING

Operating segments were identified based on internal reporting reviews that are performed. Two segments were identified based on the operational activities and the reporting structure of the Company. Assets, liabilities and loss/(income) within each segment are as follows:

As at June 30, 2019

	Canada	United States	Total
Current assets	$ 1,384	$ 0	$ 1,384
Non-current assets	88,973	53,998	142,971
Current Liabilities	512,837	5,341	518,178
Non-current liabilities	23,611	-	23,611

As at June 30, 2019

	Canada	United States	Total
Marketing, general and administrative	$ 708,702	$ 94,005	$ 802,707
Research and development	55,766	-	110,908
Depreciation	5,897	6,340	12,237

19. SUBSEQUENT EVENTS

On October 4, 2019 the Company announced that it had completed the due diligence and closed the share purchase agreement into escrow pending the completion of the financing (the “Acquisition”). The acquisition represents the purchase of all the issued and outstanding common shares of Verve Beverage Company (“VBC”). In addition, the Company continues with the previously announced non-brokered private placement (the “Private Placement”) of 20,000,000 common shares at a price of $0.05 per common share with an overallotment option of up to an additional 10,000,000 common shares at a$0.05 per common share.