

SPONSORSONE INC.

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

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2019 AND 2018

This MD&A of SponsorsOne Inc. ("SponsorsOne", "SPO" or the "Company") for the years ended December 31, 2019 and 2018 have been prepared by management of the Company as of July 15, 2020 and should be read in conjunction with the Company's audited consolidated financial statements and accompanying notes for the years ended December 31, 2019 and 2018. The audited consolidated financial statements and notes hereto 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 several 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.

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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 9, 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 9, 2018.

The head and registered office of SPO, MXM and SPOM 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 wellness, beverage, beauty, fashion, and specialty food ("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 *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:

<u>Influencer Classification</u>	<u>Range of Followers (range)</u>
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

WHY MICRO-INFLUENCERS



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

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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. 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 dashboard 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.

	December 31, 2019	2018	2017	2016
	\$	\$	\$	\$
Total Assets	145,982	651,147	203,899	193,218
Total Revenue	28,600	Nil	Nil	Nil
Net Income (Loss)	-4,124,071	-1,197,960	-602,304	-993,592
Net (Loss) Per Share (Basic and Diluted)	-0.08	-0.03	-0.02	-0.05

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
Q4 – 2019	-71,400	-3,096,385	-0.08
Q3 – 2019	100,000	-101,833	-0.02
Q2 – 2019	Nil	-547,549	-0.01
Q1 – 2019	Nil	-378,304	-0.01
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

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Operating Results

Year ended December 31, 2019 compared with December 31, 2018

For the year ended December 31, 2019, the Company reported a net loss of \$4,128,751 versus a net loss of \$1,197,960 in the comparable period for 2018. The Company continued to experience operating losses during 2019 as expenditures for the development of its software platform and brand development continued. Additionally, the Company recorded a loss on the acquisition of \$1,458,720 of Verve Beverage Company, which had no asset value.

On November 1, 2019, the Company acquired all the issued and outstanding shares of Verve Beverage Company ("VBC"). Per the terms of the agreement, the Company is to issue in escrow 47,000,000 shares in the Company of which 20% are to be released from escrow on closing and the remaining are released over a period of 6 months and 24 months after the closing date. The Company never did issue the shares into escrow, resulting on only 9,400,000 of the total 47,000,000 being issued. Subsequent to year end, the Company and the previous owners of VBC entered into legal dispute due to misrepresentations in accordance with the share purchase agreement.

As part of the share purchase agreement for the acquisition, the Company issued 9,400,000 shares in the company valued at \$940,000 the remaining shares totalling 37,600,000 were never issued. As VBC did not meet the definition of a business per IFRS 3, the acquisition has been accounted for as an asset acquisition, whereby the Company is considered to issue shares in return for the net assets of VBC at their fair value. The Company recorded a loss on acquisition of \$1,458,720 included in the statements of operations and comprehensive loss due to the issuance of shares and recognition of \$518,720 of accounts payable representing VBC's net assets.

Subsequent to the acquisition and in connection with the legal disputes noted above, the license was impaired to \$nil and an impairment loss of \$1,458,720 is included in the statements of operations and comprehensive loss as a loss on acquisition.

During the year ended December 31, 2019, the Company entered into debt settlement agreements to settle various amounts of accounts payable in the Company. The Company issued a total of 13,110,086 shares to settle \$683,698 of accounts payable and recorded a loss on settlement of \$53,667.

The Company reported brand sponsorship revenue of \$28,600 during 2019. Although the contract for the brand sponsorship was for \$100,000, only \$28,600 was collect and a management decision was made to write-down the revenue for the uncollected portion, which will be booked upon receipt of funds in future periods.

Operating expenditures came to \$2,261,640 in 2019, a slight decrease compared to \$2,944,040 in 2018. This slight decrease came primarily in marketing, general and administrative expenses. Additionally, in 2018, the Company reached settlement agreements with many of its vendors resulting in reclassification of \$154,271 of accounts payable to current and long-term debt and the write-off or reduced payment of \$1,357,180 of accounts payable and accrued liabilities. Total gain on debts settled during the year totaled \$1,746,080 and was recorded as other income in the year ended December 31, 2018.

The Company incurred \$171,886 in research and development costs for the year ended 2019 compared to \$24,980 in 2018 as expenditures for the software platform continue to incur. Future amounts needed for research and development are expected to decrease once the software platform is completed.

Depreciation increased in the year ending December 31, 2019 compared to the comparable period in 2018 due to a full year of recognized depreciate in 2019. (\$26,241 - 2019 and \$14,560 – 2018).

Liquidity and Capital Resources

The Company is in the development stage but is nearly ready to shift from development to operations. During the year ended December 31, 2019, the Company has \$235 in cash and negative working capital of \$1,192,059. The

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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 favorable 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.

During the fiscal year 2019, the Company raised total proceeds of \$64,500 (US\$50,000) related to the issuance of unsecured convertible debentures (the "Debentures"). The debentures have a maturity date of 180 days after closing and bear interest at a rate of 15% per annum, payable semi-annually in arrears, 180 days after the closing date. The holder of the Debentures will be entitled to convert all or part the principal amount of the Debentures into units ("Units") of the Company 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.

The conversion feature of the Debentures meets the definition of a derivative liability instrument as the conversion feature is denominated in a currency other than the Company's functional currency, and as such does not meet the fixed for fixed criteria.

The fair value of the conversion feature on the recognition date of the Debentures was calculated to be \$14,800. The valuation of the conversion feature was estimated based on the Black Scholes pricing model using a risk-free interest rate of 1.49%, an expected dividend yield of 0%, volatility rate of 156%, and an expected life of 0.5 years. The value of the conversion feature as at December 31, 2019 was \$nil. Included in finance expenses in the consolidated statements of operations and comprehensive loss is a fair value gain on revaluation of the conversion feature of \$14,800 and accretion expense of \$14,800.

As at December 31, 2019, the value of the Debentures carried at amortized cost is \$70,238 and accrued \$5,738 included in finance expenses in the consolidated statements of operations and comprehensive loss.

During the year ended December 31, 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.

During the year ended December 31, 2019, the Company entered into debt settlement agreements to settle various amounts of accounts payable in the Company. The Company issued a total of 13,110,086 shares to settle \$683,698 of accounts payable and recorded a loss on settlement of \$53,667 included in the Statements of Operations and Comprehensive Loss.

On November 1, 2019, the Company issued 9,400,000 common shares with a value of \$940,000 in connection with the acquisition of Verve Beverage Company ("VBC"). Per the terms of the agreement, the Company is to issue in escrow 47,000,000 shares in the Company of which 20% are to be released from escrow on closing and the remaining are released over a period of 6 months and 24 months after the closing date. Subsequent to year end, the Company and the previous owners of VBC entered into legal dispute due to misrepresentations in accordance with the share purchase agreement.

As part of the share purchase agreement for the acquisition, the Company issued 9,400,000 shares in the company valued at \$940,000 and cancelled all of the remaining shares held in escrow. As VBC did not meet the definition of a

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business per IFRS 3, the acquisition has been accounted for as an asset acquisition, whereby the Company is considered to issue shares in return for the net assets of VBC at their fair value. The Company recorded a loss on acquisition of \$1,261,843 included in the statements of operations and comprehensive loss due to the issuance of shares and recognition of \$518,720 of accounts payable representing VBC's net assets.

Subsequent to the acquisition and in connection with the legal disputes noted above, the license was impaired to \$nil and an impairment loss of \$1,458,720 is included in the statements of operations and comprehensive loss as a loss on acquisition.

Subsequent to year end, the legal dispute is still on-going.

On November 20, 2019, the Company issued 8,528,767 common shares at a price of \$0.05 per share for total proceeds of \$426,328. In connection with the share issuance the Company paid \$4,500 in share issue costs and issued 84,000 broker warrants with a value of \$2,831.

On April 22, 2019, the Company granted 700,000 stock options with an exercise price \$0.09 per share for a period of 10 years from the date of grant. 610,000 of the April 22, 2019 options vested on issuance, 30,000 vest on the 1st anniversary, 30,000 on the second anniversary and the remaining 30,000 on the third anniversary. On April 26, 2019, the Company granted 300,000 stock options with an exercise price \$0.12 per share for a period of 10 years from the date of grant. The April 26, 2019 options were fully vested on issuance. On May 1, 2019, the Company granted 100,000 stock options with an exercise price \$0.10 per share for a period of 10 years from the date of grant. 10% May 1, 2019 options vested on issuance, 30% vest on the 1st anniversary, 30% on the second anniversary and the remaining 30% on the third anniversary. On December 9, 2019, the Company granted 8,600,000 stock options with an exercise price \$0.18 per share for a period of 10 years from the date of grant. 10% December 9, 2019 options vested on issuance, 30% vest on the 1st anniversary, 30% on the second anniversary and the remaining 30% on the third anniversary.

On April 22, 2019 and October 30, 2019, the Company issued 500,000 and 2,000,000 DSU's respectively. Both issuances vested immediately. On December 9, 2019, the Company issued 8,000,000 DSU's to consultants. 10% December 9, 2019 DSU's vested on issuance, 30% vest on the 1st anniversary, 30% on the second anniversary and the remaining 30% on the third anniversary.

The fair value of the DSU's granted in 2019 and 2018 were valued based on the fair market value of one common share on the date of issuance. Each DSU represents a right to receive shares or the cash equivalent value of the shares upon the holder's separation from service with the Company, either as an officer, director, or consultant.

As of December 31, 2019 14,250,000 DSU's were outstanding (2018 – 5,250,000) and 5,850,000 DSU's were exercisable (2018 – nil). For the year ended December 31, 2019, \$579,437 (2018 - \$383,000) of stock-based compensation expense was recorded for the fair value of DSU's vested.

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
- 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

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- 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 22, 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 1, 2019, the Company issued 100,000 stock options to an officer of the Company, with an exercise price of \$0.10 per share for a period of ten years from issuance
- On June 3, 2019, the Company announced it has entered in a Brand Development Agreement with Champ Products Ltd., to build a direct to consumer marketplace for their CBD infused line of Energy Drinks.
- On June 19, 2019, the Company amended the expiry date (the "First Extension") of 6,790,784 outstanding share purchase warrants that were issued pursuant to a private placement and debt settlement completed in July 2016. Each 2016 Warrant currently entitles the holder to purchase one common share in the capital of the Corporation at a price of \$0.30 per Common Share at any time prior to 5:00 p.m. (Toronto Time) on July 4, 2019 (the "2016 Warrant Expiry Date"). Subject to Canadian Securities Exchange approval, the 2016 Warrant Expiry Date will be extended to July 4, 2020. All other term of the 2016 Warrants will remain the same.
- The Company also amended the expiry date (the "Second Extension") of 6,997,091 outstanding Common Share purchase warrants (the "2018 Warrants") that were issued pursuant to a prospectus offering completed in July 2018. Each 2018 Warrant entitles the holder to purchase one Common Share at a price of \$0.30 per Common Share at any time prior to 5:00 p.m. (Toronto Time) on July 24, 2019 (the "2018 Warrant Expiry Date"). Subject to Canadian Securities Exchange approval, the 2018 Warrant Expiry Date will be extended to July 30, 2020. All other terms of the 2018 Warrants will remain the same.

Additionally, on June 19, 2019, 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. During 2019, the Company 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, payable semi-annually in arrears, 180 days after the closing date. The holder of the Debentures will be entitled to convert all or part the principal amount of the

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Debentures into units ("Units") of the Company 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. The conversion feature of the Debentures meets the definition of a derivative liability instrument as the conversion feature is denominated in a currency other than the Company's functional currency, and as such does not meet the fixed for fixed criteria. The fair value of the conversion feature on the recognition date of the Debentures was calculated to be \$14,800. The valuation of the conversion feature was estimated based on the Black Scholes pricing model using a risk free interest rate of 1.49%, an expected dividend yield of 0%, volatility rate of 156%, and an expected life of 0.5 years. The value of the conversion feature as at December 31, 2019 was \$nil. Included in finance expenses in the consolidated statements of operations and comprehensive loss is a fair value gain on revaluation of the conversion feature of \$14,800 and accretion expense of \$14,800. As at December 31, 2019, the value of the Debentures carried at amortized cost is \$70,238 (\$54,253 USD) and accrued \$5,738 (\$4,253 USD) included in finance expenses in the consolidated statements of operations and comprehensive loss.

- On August 20, 2019, the Company issued 600,000 common shares in satisfaction of \$30,000 in debt to an arms length party
- On September 6, 2019 the Company announced it has entered into a letter of intent for the arm's length acquisition (the "Acquisition") of all of the issued and outstanding common shares of Verve Beverage Company ("VBC"). The company also announced a non-brokered private placement (the "Private Placement") of 20,000,000 common shares at a price of \$0.05 per common shares with an over allotment option of up to an additional 10,000,000 common shares at \$0.05 per common share.
- On October 4, 2019, the Company announced the completion of the due diligence and closed the share purchase agreement into escrow pending the completion of the financing of Verve Beverage Company. Additionally, the Company obtained a trading symbol for the OTC Markets and is pursuing DTC eligibility. The Trading symbol is OTC:SPOF.
- On October 4, 2019, the Company issued 150,000 common shares in satisfaction of \$7,500 in debt to an arms length party.
- On November 1, 2019, the Company issued 9,400,000 common shares with a value of \$940,000 in connection with the acquisition of Verve Beverage Company ("VBC"). Per the terms of the agreement, the Company is to issue in escrow 47,000,000 shares in the Company of which 20% are to be released from escrow on closing and the remaining are released over a period of 6 months and 24 months after the closing date. Subsequent to year end, the Company and the previous owners of VBC entered into legal dispute due to misrepresentations in accordance with the share purchase agreement.
- On November 20, 2019, the Company issued 8,528,767 common shares at a price of \$0.05 per share for total proceeds of \$426,328. In connection with the share issuance the Company paid \$4,500 in share issue costs and issued 84,000 broker warrants with a value of \$2,831. Additionally, the company issued 10,748,975 common shares in satisfaction of \$537,449 of debt to certain insiders of the Company and to certain arms length parties.
- On December 9, 2019, the Company issued 8,600,000 stock options to certain directors of the Company, and consultants with an exercise price of \$0.19 per share for a period of ten years from issuance, and 8,000,000 deferred share units to consultants under its shareholder approved stock option and deferred share unit plans.

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Subsequent Events

Subsequent to year-end, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian and U.S. government regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus. While the extent of the impact is unknown, we anticipate this outbreak may cause reduced customer demand, supply chain disruptions, and staff shortages, all of which may negatively impact the Company's business and financial condition.

- On January 10, 2020, the Company issued 525,000 shares for cash proceeds of \$26,500
- On January 13, 2020 the Company announced that it will begin to trade on Over-the-counter markets exchange.
- Subsequent to year end the Company issued 26,928,759 shares to settle \$1,346,404 of outstanding accounts payable.
- On April 27, 2020, the Company issued 500,000 shares from the exercise of 500,000 DSU's.
- Subsequent to year end, the Company extended the expiry date of the following warrants: 2,350,548 warrants were extended May 8, 2021, 6,790,784 warrants were extended to July 4, 2020 and 6,977,091 warrants were extended to July 30, 2021.
- Subsequent to year end, 2,031,844 warrants expired unexercised.
- Subsequent to year end, the Company received a loan of \$126,799 to be used for working capital purposes. The loan is non-interest bearing and has no maturity date.

Commitments

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	76,999,590
Stock options – vested	7,660,000

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Deferred share units (14,250,000 shares granted) – vested	5,850,000
Warrants	20,096,841

Future Accounting Changes

New Accounting Standards that became effective during 2019 and standards that were issued but are not yet effective are listed in Footnote 2 to the Financial Statements for the year ended December 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.

Transactions with Related Parties

The revenue earned by the Company during the fiscal year 2019 was from a related party Go Nutraceuticals Inc. (“Go”). Gary Bartholomew, a member of the Company’s board of directors is also a director for Go.

During the year ended December 31, 2019, officers, directors, and management, which are considered key management, received compensation of \$579,965 (December 31, 2018 - \$1,176,388). Management compensation has been included in the marketing, general and administrative account:

As at	December 31, 2019	December 31, 2018
Consulting fees	\$ 252,188	\$ 271,103
Accounting fees	119,855	130,085
Share-based compensation	207,992	775,200
	\$ 579,965	\$ 1,176,388

As at December 31, 2019, included in accounts payable and accrued liabilities is \$164,759 (December 31, 2018 – \$50,693) due to related parties for consulting services.

During the year ended December 31, 2019, the Company entered into settlement agreements, including \$124,000 that was payable to current related parties. These amounts were settled for payments totaling \$130,000. During the year ended December 31, 2018, the Company entered into settlement agreements, including \$896,269 that was payable to current and previous related parties. These amounts were settled for payments totaling \$78,271.

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

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- 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.

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 years ended December 31, 2019 and 2018.

Standards adopted during the period

IFRS 16 - Leases - In January 2016, the International Accounting Standards Board (IASB) issued a new International Financial Reporting Standard (IFRS) on lease accounting which was incorporated into Part I of the CPA Canada Handbook – Accounting by the Accounting Standards Board (AcSB) in June 2016. IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC-15 Operating Leases - Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 introduces a single lessee accounting model that requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Lease assets and liabilities are initially recognized on a present value basis and subsequently, similarly to other non-financial assets and financial liabilities, respectively. The lessor accounting requirements are substantially unchanged and, accordingly, continue to require classification and measurement as either operating or finance leases. The new standard also introduces detailed disclosure requirements for both the lessee and lessor. The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that also apply IFRS 15 Revenue from Contracts with Customers.

The Company's adoption of IFRS 16 did not have a material financial impact upon the consolidated financial statements.

Standards issued but not adopted during the period

The International Accounting Standards Board ("IASB") has issued the following accounting standards which have not yet been adopted by the Company:

Amendment to IFRS 3 – Business Combinations

On October 22, 2018, the IASB issued Definition of a Business (Amendments to IFRS 3: Business Combinations). The amendments to IFRS 3 are applicable for acquisitions occurring on or after January 1, 2020 and are adopted prospectively. These amendments to the implementation guidance of IFRS 3 clarify the definition of a business to assist entities to determine whether a transaction should be accounted for as a business combination or an asset acquisition. The amendments to IFRS 3 – Business Combinations may affect whether future acquisitions are accounted for as business combinations or asset acquisitions, along with the resulting allocation of the purchase price between the net identifiable assets acquired and goodwill. The Company

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 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.

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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 twelve-month period ended December 31, 2019. The Company is not subject to externally imposed capital requirements.

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 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.

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 enough capital in order to meet short-term business requirements, after considering 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 December 31, 2019, the Company had a cash balance of \$235 (December 31, 2018 -\$493,494) to settle current liabilities of \$1,196,522 (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 risks.

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.

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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. Sensitivity to a plus or minus 5% change in the foreign exchange rate of the US dollar compared to the Canadian dollar would affect the Company's equity by \$ 441 (2018 – \$7,073) with all other variables held constant.

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.

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.

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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.

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 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

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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.

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 can 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 much 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 several 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

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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 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.