



**Sponsors  
One™**

# **SPONSORSONE INC.**

**Consolidated Financial Statements**

**Years ended December 31, 2020 and 2019**

(Stated in Canadian dollars - unless otherwise noted)



## Independent auditor's report

To the Shareholders of SponsorsOne Inc.

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### Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of SponsorsOne Inc. and its subsidiaries (together, the Company) as at December 31, 2020 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

#### What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2020;
- the consolidated statement of operations and comprehensive loss for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

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### Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

#### Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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### Material uncertainty related to going concern

We draw attention to Note 1 in the consolidated financial statements, which describes events or conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

PricewaterhouseCoopers LLP  
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## **Comparative information**

The consolidated financial statements of the Company for the year ended December 31, 2019 were audited by another auditor who expressed an unmodified opinion on those statements on July 15, 2020.

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## **Other information**

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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## **Responsibilities of management and those charged with governance for the consolidated financial statements**

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.



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## Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is David Neale.

*PricewaterhouseCoopers LLP*

Chartered Professional Accountants

Vancouver, British Columbia  
April 30, 2021

# SPONSORSONE INC.

Consolidated Statements of Financial Position

As at, December 31, 2020 and 2019

	Note	December 31, 2020	December 31, 2019
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents (cash at bank)		62,819	235
Other non financial assets	4	146,737	4,228
		<b>209,556</b>	4,463
<b>Non Current assets:</b>			
Property, plant & equipment	5	114,855	141,519
		<b>324,411</b>	145,982
<b>Liabilities and Equity</b>			
<b>Current liabilities:</b>			
Trade and other payables	6 & 13	1,538,307	1,099,895
Note payable	7	90,489	70,238
Current portion of long-term debt	7	50,000	26,389
		<b>1,678,796</b>	1,196,522
<b>Non-current Liability</b>			
Long-term debt	7	-	23,611
		<b>1,678,796</b>	1,220,133
<b>Equity</b>			
Share capital	8	15,375,821	8,644,159
Shares to be issued	8		232,616
Shares subscribed not issued	8	343,707	-
Contributed surplus	8	232,616	-
Other reserves			
Share-based payment reserve	9	3,491,689	2,829,950
Warrant reserve	10	2,788,117	2,182,181
Equity adjustment from foreign currency translation		(1,574)	(9,055)
Accumulated deficit		(23,584,761)	(14,954,002)
		<b>(1,354,385)</b>	(1,074,151)
		<b>324,411</b>	145,982

Nature of Operations and Going Concern – Note 1

Subsequent Event – Note 18

Approved on behalf of the Board:

"Myles Bartholomew"  
Director (Signed)

"Gary Bartholomew"  
Director (Signed)

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

# SPONSORSONE INC.

Consolidated Statements of Operations and Comprehensive Loss  
Years ended December 31, 2020 and 2019

	Note	For the year ended December 31, 2020	For the year ended December 31, 2019
<b>Revenue from operations</b>		-	28,600
<b>Other income</b>			
Extinguishment of liabilities	3	211,420	-
<b>Total income (A)</b>		<b>211,420</b>	<b>28,600</b>
<b>Operating expenses:</b>			
Marketing Consultancy		6,005,690	216,159
Administrative & General		1,517,481	1,469,465
Share based Compensation		1,276,076	786,651
Research and development		3,587	171,886
Loss on acquisition	3	-	1,458,720
Depreciation	5	23,285	26,241
HST Assessment		-	(48,762)
<b>Total expenses (B)</b>		<b>8,826,118</b>	<b>4,080,360</b>
<b>Loss before finance expense and other gains / (losses) (A)-(B)</b>		<b>(8,614,698)</b>	<b>(4,051,760)</b>
Finance expense		23,542	18,644
<b>Loss before other income / (losses)</b>		<b>(8,638,240)</b>	<b>(4,070,404)</b>
Settlement of accounts payable		-	53,667
<b>Net loss</b>		<b>(8,638,240)</b>	<b>(4,124,071)</b>
<b>Other comprehensive loss</b>			
Exchange difference on translating foreign operations		(7,481)	4,680
<b>Total comprehensive loss for the year</b>		<b>(8,630,759)</b>	<b>(4,128,751)</b>
<b>Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company</b>			
Weighted average number of common shares	11	169,417,260	50,783,069
Loss per share - basic and diluted	11	(0.05)	(0.08)

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

# SPONSORSONE INC.

Consolidated Statements of Changes in Equity  
Years ended December 31, 2020 and 2019

	Share capital	Shares to be issued	Shares subscribed but not issued	Contributed surplus	Share-based payment reserve	Warrants reserve	Other comprehensive income	Accumulated deficit	Total
Balance at December 31, 2019	8,644,159	232,616	-	-	2,829,950	2,182,181	(9,055)	(14,954,002)	(1,074,151)
Shares issued on private placement, net	40,000	-	-	-	-	-	-	-	40,000
Warrants exercised	9,650	-	-	-	(25,000)	16,600	-	-	1,250
Shares issued in settlement of liabilities (net)	6,657,012	-	-	-	-	-	-	-	6,657,012
DSU's vested in the period	25,000	-	-	-	-	-	-	-	25,000
Share-based payments	-	-	-	-	686,739	589,336	-	-	1,276,075
Shares subscribed not issued	-	-	343,707	-	-	-	-	-	343,707
Cancellation of shares	-	(232,616)	-	232,616	-	-	-	-	-
Net loss for the period	-	-	-	-	-	-	7,481	(8,630,759)	(8,623,278)
<b>Balance at December 31, 2020</b>	<b>15,375,821</b>	<b>-</b>	<b>343,707</b>	<b>232,616</b>	<b>3,491,689</b>	<b>2,788,117</b>	<b>(1,574)</b>	<b>(23,584,761)</b>	<b>(1,354,385)</b>

	Share capital	Shares to be issued	Shares subscribed but not issued	Contributed surplus	Share-based payment reserve	Warrants	Other comprehensive income	Deficit	Total
Balance at December 31, 2018	6,521,512	232,616	-	-	2,043,299	2,186,475	(4,375)	(10,829,931)	149,596
Shares issued on private placement, net	419,407	-	-	-	-	2,831	-	-	422,238
Warrants exercised	25,875	-	-	-	-	(7,125)	-	-	18,750
Shares issued in settlement of liabilities	737,365	-	-	-	-	-	-	-	737,365
Share-based payments	-	-	-	-	786,651	-	-	-	786,651
Shares issued on Verve acquisition Trauch 1	940,000	-	-	-	-	-	-	-	940,000
Net loss for the period	-	-	-	-	-	-	(4,680)	(4,124,071)	(4,128,751)
<b>Balance at December 31, 2019</b>	<b>8,644,159</b>	<b>232,616</b>	<b>-</b>	<b>-</b>	<b>2,829,950</b>	<b>2,182,181</b>	<b>(9,055)</b>	<b>(14,954,002)</b>	<b>(1,074,151)</b>

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



# SPONSORSONE INC.

Consolidated Statements of Cash Flows  
Years ended December 31, 2020 and 2019

	For the year ended December 31, 2020	For the year ended December 31, 2019
<b>Cash flows from operating activities:</b>		
Net loss for the year	(8,638,240)	(4,124,071)
Adjustments for:		
Depreciation	23,285	26,241
Share-based compensation	1,276,076	786,651
Finance cost	23,542	18,664
Loss on settlement of debt		53,667
Foreign exchange	9,940	(3,852)
Loss on acquisition	-	1,458,720
HST assessments	-	(48,762)
Extinguishment of liabilities	(211,420)	-
Adjustment for expenses settled by issue of shares (refer note 6)	6,657,012	-
Change in non-cash operating working capital		
Other receivables & Prepaids	(142,509)	(4,228)
Trade and other payable	634,561	856,564
	<b>(367,753)</b>	<b>(980,406)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of note payable	20,251	66,415
Finance cost	(8,271)	(7,406)
Proceeds from private placement, net	40,000	422,238
Proceeds from the exercising of warrants & DSU	34,650	18,750
Proceeds from shares subscribed, not issued	343,707	-
	<b>430,337</b>	<b>499,997</b>
<b>Cash flows from investing activities:</b>		
Investment in property and equipment	-	(12,850)
	-	(12,850)
<b>Increase (decrease) in cash and cash equivalents</b>	<b>62,584</b>	<b>(493,259)</b>
Cash and cash equivalents, beginning of the year	235	493,494
<b>Cash and cash equivalents, end of the year</b>	<b>62,819</b>	<b>235</b>

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

# SPONSORSONE INC.

Notes to the Consolidated Financial Statements  
Years ended December 31, 2020 and 2019

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## 1. NATURE OF OPERATIONS AND GOING CONCERN

### Nature of Operations

SponsorsOne Inc. (the "Company" or "SponsorsOne") was incorporated under the laws of the Province of Ontario on March 9, 1965. Over the years, the Company has changed its name 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, and is a wholly owned subsidiary of SponsorsOne, Inc. On December 19, 2013, MXM completed a reverse takeover transaction of SponsorsOne. For accounting purposes, MXM was considered the acquirer and SponsorsOne the acquiree.

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

S1 Brands, Inc., was incorporated under the laws of the State of Delaware United States of America, on November 25, 2019, 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.

Premier Beverage Consortium LLC., was acquired on November 1, 2020. The Company was incorporated under the laws of the State of California, United States of America, and is a wholly owned subsidiary of SponsorsOne, Inc. The primary office of Premier Beverage Consortium LLC is located at 4001 Inglewood Ave Ste 10, BMB 101, Redondo Beach, California 90278.

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. SponsorsOne is a Company that utilizes its proprietary platform that combines digital marketing, wholesale and retail distribution, branding, and operational & funding capital, giving it a competitive first-mover advantage in rapidly selling proprietary brands focused in the alcohol, functional beverage and hemp sectors.

These consolidated financial statements were authorized by the Board of Directors of the Company on April 30, 2021.

### 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 year ending December 31, 2020, the Company has generated a net loss \$8,638,240 and had a working capital deficit of \$1,469,240

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. These material uncertainties may cast significant doubt upon the Company's ability to realize its assets and discharge its liabilities in the normal course of business and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern. Management believes that it can generate and/or raise

# SPONSORSONE INC.

Notes to the Consolidated Financial Statements  
Years ended December 31, 2020 and 2019

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## **Going Concern (continued)**

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.

The magnitude of the COVID-19 pandemic's ongoing effects on the economy and the Company's financial and operational performance is uncertain. The Company will continue to closely monitor the COVID-19 situation and its effects on the global economy. Should the duration, spread or intensity of the pandemic develop further, the Company's operations could be affected. The uncertainty may also affect the Company's liquidity and cash flows.

# SPONSORSONE INC.

Notes to the Consolidated Financial Statements  
Years ended December 31, 2020 and 2019

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## 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.

### b) Basis of presentation

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

### 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, December 31, 2020, the functional currency of the Company’s wholly owned subsidiaries; SponsorsOne Media Inc., S1 Brands, and Premier Beverage Consortium LLC, was determined to be the United States dollar. The functional currency of all other subsidiaries as at, December 31, 2020 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, SponsorsOne Media, Inc., S1 Brands Inc, Verve Beverage Company and Premier Beverage Consortium LLC. 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.

### 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, and the assessment of the going concern assumption and functional currency.

# SPONSORSONE INC.

Notes to the Consolidated Financial Statements  
Years ended December 31, 2020 and 2019

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## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### f) Standards issued but not yet effective

At December 31, 2020, a number of standards and interpretations, and amendments thereto, had been issued by the International Accounting Standards Board (IASB) that are not effective for these consolidated financial statements. These standards are not expected to have a significant impact on the Company in the current or future reporting periods and on foreseeable future transactions

### g) Foreign currency translation

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

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

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 translation adjustment in shareholders' equity.

### h) Revenue

The Company's revenue is derived from the completion of a performance obligation outlined by the terms of a Brand Development Agreement entered into with the customer. Revenue is recognized once the performance obligation is satisfied and there is a reasonable expectation of collection.

Under IFRS 15, revenue is recognized at an amount that reflects the expected consideration receivable in exchange for transferring goods or services to a customer, applying the following five steps:

- 1) Identify the contract with a customer
- 2) Identify the performance obligations in the contract
- 3) Determine the transaction price
- 4) Allocate the transaction price to the performance obligations in the contract
- 5) Recognize revenue when (or as) the entity satisfies a performance obligation

### i) Property, Plant and Equipment

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 vehicles .

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.

# SPONSORSONE INC.

Notes to the Consolidated Financial Statements  
Years ended December 31, 2020 and 2019

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## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### k) Share-based compensation

The Company grants stock options and deferred stock units (“DSU’s”) to acquire common shares of the Company to directors, officers and employees. The Board of Directors grants stock options for periods of up to ten years, with vesting periods determined at its sole discretion and at exercise prices equal to or greater than the closing market price on the day preceding the date the options were granted. DSU’s by their terms have no exercise price associated with them and the Board of Directors grants DSU’s with vesting periods determined on a case-by-case basis.

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

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

The fair value of vested DSU’s are calculated and recorded using the stock price on the grant date of DSU’s, but only to the extent that the DSU’s are vested. As additional DSU’s vest according to their terms, additional compensation expense is recorded in the period when the shares vest. DSU’s do 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.

### l) 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.

### m) 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.

# SPONSORSONE INC.

Notes to the Consolidated Financial Statements  
Years ended December 31, 2020 and 2019

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## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### n) Financial instruments

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

Below is a summary showing the classification and measurement bases of the Company's financial instruments.

<b>Classification</b>	<b>IFRS 9</b>
Cash and cash equivalents (cash at bank)	Amortized Cost
Trade and other payables	Amortized Cost
Notes payable	Amortized Cost
Convertible note payable – conversion feature	FVTPL
Long-term debt	Amortized Cost

(The carrying value of above financial assets and liabilities approximates its fair value)

#### 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.

#### ii. Investments recorded at fair value through other comprehensive income (FVOCI)

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to measure the investment at FVOCI whereby changes in the investment's fair value (realized and unrealized) will be recognized permanently in OCI with no reclassification to profit or loss. The election is made on an investment-by-investment basis.

#### iii. 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".

#### 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.

#### ii. Financial liabilities recorded FVTPL

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

# SPONSORSONE INC.

Notes to the Consolidated Financial Statements  
Years ended December 31, 2020 and 2019

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## 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).

As at, December 31, 2020 and 2019, the Company did not hold financial instruments recorded at fair value that would require classification within the fair value hierarchy, except for cash and cash equivalents (Level 1) and convertible note payable – conversion feature (Level 2). The carrying value of the financial instruments noted above approximate their fair value due to the short-term nature of these instruments. The carrying value of the long-term debt also approximates its fair value.



# SPONSORSONE INC.

Notes to the Consolidated Financial Statements  
Years ended December 31, 2020 and 2019

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## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### o) Conversion options in convertible note payable

An equity conversion feature embedded in a contract about a convertible loan granted to the Company is accounted for as equity only when it will exclusively be settled by the entity delivering a fixed number of its own equity shares in exchange for a fixed amount of cash (the 'fixed-for-fixed criterion').

Where the debt obligation in a convertible loan is denominated in a currency different from the trading currency of the shares of the Company, the consideration payable under the derivative is not fixed in the functional currency of the Company so that the fixed-for-fixed criterion is not fulfilled and the conversion feature fails the definition of equity.

In that case, the conversion option embedded in a convertible loan facility is considered an embedded derivative financial liability not closely related to the host loan agreement and is recognized as a financial liability at FVTPL. Any subsequent changes in the fair value of the conversion option are recognized in the consolidated statements of operations and comprehensive loss under Finance expense.

### 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.

## 3. Acquisition of Verve Beverage Company

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 was 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 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. On the acquisition date, the Company also recognized \$518,720 of accounts payable representing VBC's net assets and an intangible asset with a value of \$1,458,720 representing a license.

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.

# SPONSORSONE INC.

Notes to the Consolidated Financial Statements  
Years ended December 31, 2020 and 2019

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On July 16, 2020, the Company announced that the pending litigation in Alberta, Canada related to the acquisition of Verve Beverage Company (“VBC”) has been favorably resolved and the litigation will be discontinued. The terms of settlement are that the former shareholders of VBC keep the previously issued SPO shares totalling 9,400,000 common shares and that the remaining 37,600,000 common shares that were to be held in escrow will be cancelled. Additionally, the Company has extinguished liabilities amounting to \$211,420 upon settlement.

#### 4. OTHER NON FINANCIAL ASSETS

	<b>December 31, 2020</b>	December 31, 2019
HST receivable	<b>\$112,601</b>	-
Other receivables	<b>34,136</b>	4,228
	<b>\$146,737</b>	<b>\$4,228</b>

During the year ended December 31, 2020, the Company had a balance of \$34,136 in other receivables for retainers paid in advance.

# SPONSORSONE INC.

Notes to the Consolidated Financial Statements  
Years ended December 31, 2020 and 2019

## 5 . PROPERTY, PLANT AND EQUIPMENT

		<b>Electronic equipment</b>		<b>Marketing vehicle</b>		<b>Total</b>
<b>Cost</b>						
At December 31, 2018	\$	70,555	\$	219,596	\$	290,151
Additions for the period		-		12,850		12,850
Foreign currency translation		(8,722)		-		(8,722)
Balance at December 31, 2019	\$	61,833	\$	232,446	\$	294,279
Additions for the period		-		-		-
Foreign currency translation		(1,218)		-		(1,218)
<b>Balance at December 31, 2020</b>	<b>\$</b>	<b>60,615</b>	<b>\$</b>	<b>232,446</b>	<b>\$</b>	<b>293,061</b>
<b>Accumulated depreciation</b>						
At December 31, 2018	\$	7,773	\$	124,725	\$	132,498
Additions for the period		12,634		13,607		26,241
Foreign currency translation		(5,979)		-		(5,979)
Balance at December 31, 2019	\$	14,428	\$	138,332	\$	152,760
Additions for the period		9,677		13,608		23,285
Foreign currency translation		2,161		-		2,161
<b>Balance at December 31, 2020</b>	<b>\$</b>	<b>26,266</b>	<b>\$</b>	<b>151,940</b>	<b>\$</b>	<b>178,206</b>
<b>Net book value</b>						
<b>At December 31, 2020</b>	<b>\$</b>	<b>34,349</b>	<b>\$</b>	<b>80,506</b>	<b>\$</b>	<b>114,855</b>
At December 31, 2019	\$	47,405	\$	94,114	\$	141,519

## 6 . TRADE AND OTHER PAYABLES

Accounts payable and accrued liabilities are comprised of the following:

As at,	December 31, 2020	December 31, 2019
Accounts payable	\$ 1,368,968	\$ 907,956
Accrued liabilities	119,235	168,108
HST/GST payable	50,104	23,831
	<b>\$ 1,538,307</b>	<b>\$ 1,099,895</b>

During the year ended December 31, 2020, the Company entered into debt settlement agreements to settle various amounts of accounts payable in the Company. The Company issued a total of 340,479,679 shares to settle \$6,707,012 of accounts payable. The Company also wrote off \$211,421 of Verve accounts payable upon settlement (Note 3)

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.

# SPONSORSONE INC.

Notes to the Consolidated Financial Statements  
Years ended December 31, 2020 and 2019

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## 7 . NOTE PAYABLE AND DEBT

Note payable

- a) The note payable balance includes an unsecured note amounting to \$79,700 which has interest of 15% per annum with a maturity of 12 months from the balance sheet date.
- b) The note payable balance includes an unsecured note amounting to \$10,789, which has interest of 15% per annum with a maturity in 90 days from the balance sheet date.

The holders for the above instrument will be entitled to convert all or part the principal amount of the instrument 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.

Subsequent to year end, \$81,505 of note payable \$79,700 was paid, including interest at 15% per annum. Additionally, \$11,040 of note payable \$10,789 was paid, which includes interest at 15% per annum.

Debt:

- (a) The current portion of unsecured long-term debt carries an interest rate of 12% and is due for repayment in June 2021.

## 8 . SHARE CAPITAL

*Authorized:*

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

As at, December 31, 2020, following shares of common stock were issued and outstanding.

As at,	Number of shares		Value	
	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
Equity shares	419,504,269	76,999,590	\$15,375,821	\$8,644,159

# SPONSORSONE INC.

Notes to the Consolidated Financial Statements  
Years ended December 31, 2020 and 2019

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Movement in equity shares is as follows:

	<b>Number of shares</b>	<b>Value</b>	<b>Number of shares</b>	<b>Value</b>
	<b>31-Dec-20</b>	<b>31-Dec-20</b>	<b>31-Dec-19</b>	<b>31-Dec-19</b>
Opening balance	<b>76,999,590</b>	<b>\$8,644,159</b>	45,585,737	\$6,521,512
Shares issued during the year towards settlement of liabilities	<b>340,479,679</b>	<b>6,707,012</b>	13,110,086	737,365
Shares issued during the year for cash	<b>2,000,000</b>	<b>40,000</b>	8,528,767	419,407
Shares issued during the year for acquisition of VBC	-	-	9,400,000	940,000
Shares issued towards exercise of warrants	<b>525,000</b>	<b>9,650</b>	375,000	25,875
Shares issued towards DSU	<b>500,000</b>	<b>25,000</b>	-	-
Shares cancelled during the year	<b>(1,000,000)</b>	<b>(50,000)</b>	-	-
	<b>419,504,269</b>	<b>15,375,821</b>	<b>76,999,590</b>	<b>8,644,159</b>

## *Shares to be issued/Contributed surplus*

Included in the Company's shareholders' deficit was a balance of \$232,616 classified as shares to be issued. This amount was transferred to contributed surplus as the Company would not be issuing shares on account of termination of the underlying agreement due to certain breaches by the counterparty.

## *Shares subscribed not issued*

Included in the Company's shareholders' deficit is a balance of \$343,707 classified as shares subscribed not issued. The amount relates to 34,370,708 shares that were subscribed at \$0.01 per share, that had not been issued as at December 31, 2020. Also refer to the subsequent event note for details on subsequent issuance .

## **9 . SHARE-BASED PAYMENT RESERVE**

### *Share Option Plan*

The Board of Directors of the Company adopted a stock option plan (the "Plan") whereby the aggregate number of common shares reserved for issuance under the Plan, including common shares reserved for issuance under any other share compensation arrangement granted or made available by the Company from time to time may not exceed 15% of the Company's issued and outstanding common shares. The Plan is administered by the Board of Directors and grants made pursuant to the Plan must always comply with the policies of the Canadian Stock Exchange and the Plan.

# SPONSORSONE INC.

Notes to the Consolidated Financial Statements  
Years ended December 31, 2020 and 2019

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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.

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	<b>Number of options</b>	<b>Weighted average exercise price (\$)</b>
<b>Balance at December 31, 2018</b>	<b>5,910,000</b>	<b>0.28</b>
Issued April 22, 2019	700,000	0.09
Issued April 26, 2019	300,000	0.12
Issued May 1, 2019	100,000	0.10
Issued December 09, 2019	7,600,000	0.18
<b>Balance at December 31, 2019</b>	<b>14,610,000</b>	<b>0.21</b>
Issued August 6, 2020	900,000	0.015
Issued November 22, 2020	1,000,000	0.01
Issued November 30, 2020	22,000,000	0.01
<b>Balance at December 31, 2020</b>	<b>38,510,000</b>	<b>0.09</b>

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# SPONSORSONE INC.

Notes to the Consolidated Financial Statements  
Years ended December 31, 2020 and 2019

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

On April 22, 2019, the Company granted 700,000 stock options with an exercise price of \$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 1<sup>st</sup> 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 of \$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 of \$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 1<sup>st</sup> 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 of \$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 1<sup>st</sup> anniversary, 30% on the second anniversary and the remaining 30% on the third anniversary.

On August 6, 2020, the Company granted 900,000 stock options with an exercise price of \$0.015 per share for a period of 10 years from the date of grant. The August 6, 2020 options were fully vested on issuance. On November 22, 2020, the Company granted 1,000,000 stock options with an exercise price of \$0.01 per share for a period of 10 years from the date of grant. The November 22, 2020 options were fully vested on issuance. On November 30, 2020, the Company granted 22,000,000 stock options with an exercise price of \$0.01 per share for a period of 10 years from the date of grant. The November 30, 2020 options were fully vested on issuance.

For the year ended December 31, 2020, \$433,649 (2019 - \$163,795) of stock-based compensation expense was recorded for the fair value of stock options vested.

# SPONSORSONE INC.

Notes to the Consolidated Financial Statements  
Years ended December 31, 2020 and 2019

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

The following table summarizes the exercise price of outstanding and exercisable stock options as at, December 31, 2020:

Expiry Date	Number of options	Exercise Price	Remaining Life (Years)	Number of Options Exercisable
January 1, 2023	610,000	\$ 0.15	2.00	610,000
January 27, 2033	50,000	\$ 0.15	2.07	50,000
July 1, 2023	50,000	\$ 0.30	2.50	50,000
July 24, 2023	50,000	\$ 0.30	2.56	50,000
July 26, 2023	50,000	\$ 0.30	2.57	50,000
January 1, 2024	200,000	\$ 1.00	3.00	200,000
February 27, 2024	50,000	\$ 0.95	3.16	50,000
January 19, 2025	25,000	\$ 0.89	4.05	25,000
May 29, 2025	100,000	\$ 0.60	4.41	100,000
April 28, 2026	25,000	\$ 0.15	5.33	25,000
April 29, 2026	50,000	\$ 0.15	4.33	50,000
July 4, 2026	500,000	\$ 0.31	5.51	500,000
January 10, 2028	1,350,000	\$ 0.30	7.03	1,350,000
August 1, 2028	750,000	\$ 0.22	5.59	750,000
August 7, 2028	2,000,000	\$ 0.18	7.61	2,000,000
October 12, 2028	50,000	\$ 0.18	7.79	35,000
April 22, 2029	700,000	\$ 0.09	8.31	640,000
April 26, 2029	300,000	\$ 0.12	8.32	300,000
May 1, 2029	100,000	\$ 0.10	8.34	40,000
December 9, 2029	7,600,000	\$ 0.18	8.95	3,040,000
October 6, 2030	900,000	\$ 0.015	9.60	900,000
November 22, 2030	1,000,000	\$ 0.01	9.90	1,000,000
November 30, 2030	22,000,000	\$ 0.01	9.92	22,000,000
<b>Balance, December 31, 2020</b>	<b>38,510,000</b>	<b>\$ 0.09</b>	<b>9.11</b>	<b>33,815,000</b>

The fair values of stock options issued in 2020 were estimated using the Black-Scholes option pricing model with the following assumptions:

Assumptions	Options 06-Aug-20	Options 22-Nov-20	Options 30-Nov-20
Volatility	240%	289%	304%
Risk-free interest rate	1.75%	1.75%	1.75%
Expected life (years)	10	10	10
Dividend yield	Nil	Nil	Nil
Forfeiture rate	0%	0%	0%
Exercise Price	\$0.02	\$0.01	\$0.01
Share Price	\$0.02	\$0.01	\$0.01



# SPONSORSONE INC.

Notes to the Consolidated Financial Statements  
Years ended December 31, 2020 and 2019

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

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

	Options December 9, 2019	Options May 1, 2019	Options April 29, 2019	Options April 22, 2019
<b>Assumptions</b>				
Volatility	178%	177%	177%	177%
Risk-free interest rate	1.54%	1.61%	1.59%	1.66%
Expected life (years)	10	10	10	10
Dividend yield				
Forfeiture rate	Nil 0%	Nil 0%	Nil 0%	Nil 0%
Exercise Price	\$0.18	\$0.10	\$0.12	\$0.09
Share Price	\$0.04	\$0.10	\$0.12	\$0.09

### *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 at all times 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. Deferred Share Unit’s (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. 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. If any of the DSU’s expire prior to vesting, the compensation expense will be reduced.

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. 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.

On November 2, 2020, the Company issued 5,000,000 DSU’s. 10% November 2, 2020 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 2020 and 2019 were valued based on the fair market value of one common share on the date of issuance.

As of December 31, 2020 16,700,000 DSU’s were outstanding (2019 – 14,250,000) and 8,600,000 DSU’s were exercisable (2019 – 5,850,000). For the year ended December 31, 2020, \$228,090 (2019 - \$579,437) of stock-based compensation expense was recorded for the fair value of DSU’s vested. Additionally, 2,050,000 DSU’s were cancelled during 2020 and 500,000 were exercised.

# SPONSORSONE INC.

Notes to the Consolidated Financial Statements  
Years ended December 31, 2020 and 2019

## 10 . WARRANT RESERVE

	Number of Warrants	Weighted average exercise price (\$)
<b>Balance, December 31, 2018</b>	<b>20,387,841</b>	<b>0.24</b>
Warrants exercised January, 2019	(375,000)	0.05
Warrants issued November 20, 2019	84,000	0.05
<b>Balance, December 31, 2019</b>	<b>20,096,841</b>	<b>0.24</b>
Warrants expired January 5, 2020	(1,350,000)	0.05
Warrants exercised January 9, 2020	(525,000)	0.05
Warrants expired May 16, 2020	(156,844)	0.18
Warrants expired July 20, 2020	(1,842,574)	0.18
Warrants issued August 12, 2020	2,000,000	0.10
Warrants issued December 31, 2020	34,370,707	0.05
<b>Balance, December 31, 2020</b>	<b>52,593,130</b>	<b>0.12</b>

- (a.) On November 20, 2019, in connection with the common shares issued, the Company issued 84,000 brokers' warrants with each warrant exercisable into a common share of the Company at \$0.05 per warrant. The brokers' warrants expire on November 20, 2020.
- (b.) On January 5, 2020, 525,000 Private Placement warrants were exercised into a common share of the Company at \$0.05 per warrant.
- (c.) On August 11, 2020, the Company issued 2,000,000 Private Placement warrants with each warrant exercisable into a common share of the Company at \$0.10 per warrant. The Private Placement warrants expire on Aug 11, 2022.
- (d.) On December 31, 2020, the Company issued 34,370,707 Private Placement warrants with each warrant exercisable into a common share of the Company at \$0.05 per warrant. The Private Placement warrants expire on December 31, 2022.

The following is a summary of warrants as at, December 31, 2020:

Expiry date	Warrants	Price	(Years)
July 4, 2021	6,790,784	\$ 0.30	0.51
May 8, 2021	2,350,548	\$ 0.15	0.35
July 30, 2021	6,997,091	\$ 0.30	0.58
November 20, 2020	84,000	\$ 0.05	0.89
August 11, 2022	2,000,000	\$ 0.10	1.61
December 31, 2022	34,370,707	\$ 0.05	2.00
<b>Total</b>	<b>52,593,130</b>	<b>\$ 0.12</b>	<b>1.53</b>

The fair values of warrants issued in 2020 were estimated using the Black-Scholes option pricing model under the following assumptions:

# SPONSORSONE INC.

Notes to the Consolidated Financial Statements  
Years ended December 31, 2020 and 2019

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	Warrants August 11, 2020	Warrants December 31, 2020
<b>Assumptions</b>		
Volatility	246.15%	31126%
Risk-free interest rate	1.75%	1.75%
Expected life (years)	10	10
Dividend yield	Nil	Nil
Forfeiture rate	0%	0%
Exercise Price	\$0.10	\$0.05
Share Price	\$0.15	\$0.01

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

<b>Assumptions</b>	<b>Broker Warrant November 20, 2019</b>
Volatility	194.81%
Risk-free interest rate	1.540%
Expected life (years)	1
Dividend yield	Nil
Forfeiture rate	0%
Exercise price	\$0.05
Share price	\$0.05
Fair value	\$2,831

## 11 . LOSS PER SHARE

The calculation of basic and diluted loss per share for the period ended December 31, 2020 was based on the loss attributable to common shareholders of \$8,638,240 (2019 – loss of \$4,124,071) and the weighted average number of common shares outstanding of 169,417,260 (2019 – 50,783,069). Diluted loss per share did not include the effect of stock options DSU's and warrants as they are anti-dilutive.

# SPONSORSONE INC.

Notes to the Consolidated Financial Statements  
Years ended December 31, 2020 and 2019

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## 12. INCOME TAXES

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2019 – 26.5%) to the effective tax rate is as follows:

	2020	2019
Net loss before recovery of income taxes	\$ 8,638,240	\$ 4,124,071
Expected income tax recovery	\$ -2,286,234	\$ -1,092,879
Differences in foreign tax rates	8,198	4,283
Share based compensation and non-deductible expenses	338,160	607,236
Share issuance costs	-	-1,113
Tax benefits and losses not recognized	-1,939,876	482,473
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:

	2020	2019
Property, plant and equipment	\$ 15,845	\$ 14,428
Intangible asset	22,142	56,593
Share issuance costs	-	256,369
Non-capital losses carried forward – Canada	15,078,011	8,848,512
Non-capital losses carried forward – US	999,151	507,073

Share issue and financing costs were fully amortized during the year. 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 has \$15,078,011 in Canadian non-capital income tax losses expiring between 2027 and 2040. The Company has \$999,151 in US non-capital income tax losses that can be carried forward indefinitely.

# SPONSORSONE INC.

Notes to the Consolidated Financial Statements  
Years ended December 31, 2020 and 2019

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## 13 . RELATED PARTY TRANSACTIONS

During the year ended December 31, 2020, officers, directors, and key management personnel received compensation totaling \$437,579 (December 31, 2019 - \$580,035). Management compensation has been included in the marketing, general and administrative account:

As at	December 31, 2020	December 31, 2019
Consulting fees	\$ 145,000	\$ 252,188
Accounting fees	57,400	119,855
Share-based compensation	235,179	207,992
	<u>\$ 437,579</u>	<u>\$ 580,035</u>

As at, December 31, 2020, included in accounts payable and accrued liabilities is \$10,287 (December 31, 2019 – \$164,759) due to related parties for consulting services.

## 14 . FINANCIAL RISK FACTORS

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

### *Credit Risk*

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its payment obligations. The Company is exposed to credit risk with respect to its cash and other receivables. Management believes that the credit risk with respect to cash is remote as it maintains accounts with highly rated financial institutions. Management deems the credit risk with respect to its other receivables to be minimal.

### *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 is still in its stage of development and as such manages its cash reserves and is dependent on raising cash from financing activities. As at December 31, 2020, the Company had a cash balance of \$62,819 (December 31, 2019 - \$235) to settle current liabilities of \$1,678,796 (December 31, 2019 - \$1,196,522) (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.

# SPONSORSONE INC.

Notes to the Consolidated Financial Statements  
Years ended December 31, 2020 and 2019

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## 14 . 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. 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 \$1,762 (2019 – \$441) 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.

## 15 . CAPITAL MANAGEMENT

The Company's objectives when managing capital, defined as shareholders' equity, are to safeguard the Company's ability to continue as a going concern (Note 1) in order to maintain a flexible capital structure that optimizes the cost of capital at an acceptable risk.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt or acquire or dispose of assets.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital 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.

# SPONSORSONE INC.

Notes to the Consolidated Financial Statements  
Years ended December 31, 2020 and 2019

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## 16 . 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, revenue and operating expenses within each segment are as follows:

<b>As at December 31, 2020</b>					
	<b>Canada</b>		<b>United States</b>		<b>Total</b>
Assets	\$	276,625	\$	47,786	\$ 324,411
Liabilities		1,622,689		56,107	1,678,796
Revenue		-		-	-
Operating expenses		8,633,156		192,962	8,826,118

<b>As at, December 31, 2019</b>					
	<b>Canada</b>		<b>United States</b>		<b>Total</b>
Assets	\$	98,479	\$	47,503	\$ 145,982
Liabilities		1,191,447		28,686	1,220,133
Revenue		-		28,660	28,660
Operating expenses		3,973,757		106,603	4,080,360

# SPONSORSONE INC.

Notes to the Consolidated Financial Statements  
Years ended December 31, 2020 and 2019

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## 17 . SUBSEQUENT EVENTS

On December 31, 2020, the Company announced the sale of 34,370,787 units at \$0.01 per unit for gross proceeds of \$343,787. Each unit consists of 1 common share and 1 common share purchase warrant with each warrant entitling the holder to acquire 1 common share at \$0.05 for a period of 24 months. The closing of this private placement closed on January 20, 2021 .

Further, following are the details of shares issued post balance sheet date:

<b>Month</b>	<b>Shares issued</b>	<b>Value</b>	<b>Purpose</b>
January 2021	75,000,000	750,000	Settlement of liabilities
February 2021	326,453,036	4,699,374	Settlement of liabilities
February 2021	22,420,812	224,208	Issue of shares for cash
March 2021	101,390,160	2,534,754	Settlement of liabilities
March 2021	108,400,000	3,035,000	Issue of shares for cash

In addition, the Company issued a non-convertible promissory note against a loan of \$250,000 bearing interest at 4% per annum repayable by the Company on or before March 19, 2022. The Company received an exemption from the minimum price requirement and reserved a price at the 20-day VWAP. There is no insider participation, and all securities are subject to a standard hold period.

## 18 . Reclassification of comparatives

Certain prior period amounts in the consolidated statement of income, consolidated statement of cash flows and comprehensive income have been reclassified to conform with the current period presentation. These reclassifications have no effect on the reported results.