

# SPONSORSONE INC.

## INTERIM MANAGEMENT DISCUSSION & ANALYSIS – QUARTERLY HIGHLIGHTS

Three months ended June 30, 2017

### INTRODUCTION

The following interim Management Discussion & Analysis (“Interim MD&A”) of SponsorsOne Inc. (“SPO” or the “Company”) for the three and six months ended June 30, 2017 has been prepared to provide material updates to the business operations, liquidity and capital resources of the Company since its last Management Discussion & Analysis (“Annual MD&A”) for the fiscal year ended December 31, 2016.

This Interim MD&A has been prepared in compliance with section 2.2.1 of Form 51-102F1, in accordance with National Instrument 51-102 – *Continuous Disclosure Obligations*. This discussion should be read in conjunction with the Company’s Annual MD&A, audited annual consolidated financial statements for the years ended December 31, 2016 and 2015, together with the notes thereto, and unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2017, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. The Company’s financial statements and the financial information contained in this Interim MD&A are prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board and interpretations of the IFRS Interpretations Committee. The unaudited condensed interim consolidated financial statements have been prepared in accordance with International Standard 34, Interim Financial Reporting. Accordingly, information contained herein is presented as of August 28, 2017, unless otherwise indicated.

For the purposes of preparing this Interim MD&A, management, in conjunction with the Board of Directors (the “Board”), considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of SPO’s common shares; (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

### ADDITIONAL INFORMATION

Additional information is accessible at the Company’s website [www.sponsorsone.com](http://www.sponsorsone.com) or through the Company’s public filings at [www.sedar.com](http://www.sedar.com).

### CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

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

Although management believes that the expectations reflected in such forward-looking statements are reasonable, all forward-looking statements address matters that involve known and unknown risks,

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

## **BUSINESS OVERVIEW AND CORPORATE UPDATE**

### ***Business Profile***

SponsorsOne Inc. was incorporated under the laws of the Province of Ontario on March 9, 1965. The primary office is located at 400 – 365 Bay Street, Toronto, ON M5H 2V1.

MXM was created to support amateur athletes, specifically in Canadian motocross with sponsorship opportunities. In 2007 MXM launched its trackside sponsor promotion program in conjunction with a full support program; MXM signed 30 major sponsors to participate in the program during MXM's first full season. Sponsors recognize the benefits of promotion at a local level, within niche markets.

In 2009, social media was changing the dynamics of the advertising and promotion model. A major equipment manufacturer approached MXM to move the sponsorship model online so every athlete could participate. In response, MXM developed the xCredits online sponsorship engagement model and subsequently recognized that the online solution developed for motocross athletes and sponsors is a highly applicable and beneficial offering for the many Vertical Social Networks ("VSN") in existence faced with the challenges of monetization, user engagement and return on investment for brands/advertisers. In light of recognizing this opportunity, the concept of SponsorsCloud – a platform for integration into any social network to deliver the social sponsorship engagement and social commerce model – was developed.

Evaluating the disruptive technology innovation and the industry impact of the sponsorship engagement model, MXM pivoted its focus from the single solution for motocross athletes (B2C) to a robust B2B integrated platform for monetizing social networks by delivering social sponsorship engagement and social commerce between brands (sponsors) and users. Subsequently, MXM rebranded itself as SponsorsOne in June 2013. In order to protect this technology innovation, MXM developed a major patent on sponsorship management within a social network and filed this patent as an international patent on September 20, 2013, and then filed a second Canadian and US patent on March 18, 2016. MXM Nation will continue to have a presence as a vertical social network for the Canadian motocross market.

## ***Strategies and Outlook***

The Company is continuing to raise capital to execute its growth strategy and continue development of its SponsorsCloud™ platform. SponsorsCloud is a social sponsorship system composed of a proprietary sponsorship currency and transaction engine, a sponsorship campaign management application, and a 3 data analytics engine that creates and leverages brand-focused proprietary social advertising networks for brands and marketing agencies to deliver highly engaging data driven social sponsorship campaigns.

### **SponsorsCloud platform and xCredits social sponsorship model**

The SponsorsCloud platform and the xCredits sponsorship currency and transaction engine, in combination are designed to address social media marketing challenges faced by brands. SponsorsCloud is a platform that integrates with social networks and enables the delivery of the social sponsorship engagement campaigns, transactions, and commerce between brands and users. xCredits is the underlying currency and transaction engine that drives the social sponsorship engagement campaigns and overall model. The SponsorsCloud platform and the social sponsorship engagement model is designed to build proprietary, highly engaged advertising networks for brands and behave as a social marketplace for brands and users to perform social transactions.

Historically, it has been difficult to earn and measure return on investment and impact of sponsorship marketing for brands, even when dealing with the top high profile sponsored persons. It is also very challenging for the brands to nurture one-on-one relationships and keep the sponsored person engaged and promoting the brand. Frequently, sponsored persons engagement with the brand greatly diminishes or is non-existent after the initial product/service support engagement. There has been limited ways to measure the impact of sponsorship and/or to determine if promotion of the brand ever even occurred. Advertisers face significant limitations with current social media marketing techniques as well. Social media advertising spending is continually increasing at impressive rates, but the effectiveness and return on investment of these advertising dollars is much less impressive for brands and the consumers on the receiving end of these advertisements. To address the challenges of sponsorship engagement and social media advertising (i.e. lack of ongoing engagement with customers/sponsees, no meaningful understanding of the return on investment, costs related to products/services and support given to customers/ sponsees with no communication channel post advertisement/sponsorship promotion), SPO is developing the SponsorsCloud platform and patent pending xCredits engagement model for creating highly engaged proprietary advertising networks for brands.

The platform and xCredits sponsorship engagement model nurtures one-to-one on-going relationships between brands and customers, and motivates the user to continuously engage with the brands through social media in a meaningful and authentic manner. Sponsorship provides rewards to the user in the form of immediate discounts from the brand, set with the brand. The brand further engages the user by offering the incentive of xCredits whereby the user will be rewarded with xCredits for engaging with the brand. Users work their way up to higher levels of sponsorship by continuously and authentically engaging and transacting with brands through various social engagement and commerce activities online across all social networks. Users are continually earning xCredits as a sponsorship currency in exchange for their online promotional engagement with the brands that can be used for transactions with the brands through the social commerce system. The xCredits engine monitors all the activity of the user across the social networks and based on criteria set with the brand such as quantity, quality, and type of engagement (sponsorship program/campaign criteria), xCredits are awarded to the user representing sponsorship currency. The more credits the user earns, the higher the sponsorship level the user achieves in a tiered format set with the brand, entitling the user to greater discounts and better credit redemption offers. The xCredits earned by the user can be redeemed for cash towards products/services or access to special promotions/offers aside from the core sponsorship program. This is essentially sponsorship earnings for the user in exchange for

the promotion and exposure that user achieved, with credit earnings basically equating to a payment per impressions or action generated by that user.

The SponsorsCloud platform is being developed as a social marketplace to allow users to earn credits and perform ecommerce transactions with the brands within the system, transfer xCredits to other users or charitable organizations, and perform transactions offline in retail locations with discounts and/or offers earned with xCredits. As users earn xCredits and reach higher sponsorship discount levels, the sponsored user can use their discounts and exchange their xCredits for cash towards products and services from the brands in whatever channel works best for them, either direct from brand (online/in store) or from a retailer (online/in store).

SponsorsCard is the mobile application being developed to run on all mobile devices. This is expected to be the primary method for users to engage with the brands and their campaigns. This allows engagement in real time, anywhere, anytime.

The system tracks and logs all of the relevant data of the system, specifically engagement activity of the user and brands within the social networks, and all of the movement of xCredits between users, brands, and across social networks. This data is then used to perform in-depth analysis and provide analytics reporting in the form of highly valuable marketing intelligence for brands. This is an essential component of the platform and the insight to be gained by the brand is unlike any other social media analytics or marketing intelligence available because of the unique nature of the one-to-one social sponsorship engagement model and the data it produces.

The SponsorsCloud platform will provide tools necessary for brands, users, and VSN to achieve their social sponsorship goals and objectives including earning an impressive return on investment from their social sponsorship efforts, which to date has proven to be very challenging with existing social media marketing techniques. Brands are provided with an automated, data rich sponsorship platform to reach their target customers across all social networks in the form of proprietary advertising networks.

### ***Strategic Positioning***

With the SponsorsCloud™ platform, SponsorsOne is positioned to create brand focused proprietary social advertising networks that are highly engaging. SponsorsCloud is a tool to work with brand marketers and agencies to create and deliver data driven creative campaigns based on the social sponsorship model. The platform can consolidate brands' target customers into proprietary ad networks by accessing the brands' and their followers' social networks across all social channels and then delivering data-driven social sponsorship campaigns designed to be highly engaging and to nurture long-lasting, mutually beneficial and authentic brand-consumer relationships. The platform is being developed to create proprietary target market segment and user clusters for specific brands, and hence can create and monetize proprietary social ad networks that can also be based on things such as events, demographics, and virtual communities, etc. The SponsorsCloud platform and social sponsorship model leverages and expands on brands' existing social networks and social media campaigns turning them into proprietary, highly engaged ad networks of followers incentivized to become their top marketers and sales people.

The ability to combine data driven marketing campaigns and creative assets with a proprietary social ad network that rewards the users for their involvement will change the way brands connect to their customers. Brands can utilize the SponsorsCloud to inspire real movements around their products and services in a manner in which their most valuable social customers become their best salespeople through word-of-mouth marketing, sales referrals, and team work producing far greater ROI than current social media advertising methods.

The social sponsorship engagement model drives long-term user engagement and positions SPO to potentially disrupt the future of targeted online marketing within social networks in the social era. Sponsorship is the most effective manner of establishing one-to-one connection between brands and customers. Dollar for dollar, brands much prefer to spend their dollars on one-to-one promotion rather than

on targeted display ads. Brands recognize the value of word-of-mouth and referrals, and the bragging rights users associate with being sponsored. SPO facilitates this type of marketing in a highly innovative, disruptive, and effective manner by continuously connecting the brand and the user on a one-to-one basis through sponsorship while serving the best interest of both brands and customers.

### ***Strategic execution***

SPO hopes to attract global, national, and regional sponsors onto the platform and to deliver the SponsorsCloud and associated products as a service to these brands. SPO will seek to partner with and potentially acquire existing creative agencies and marketing firms that have established relationships with major brands. SPO will also pursue partnerships with VSN that can bring brands specific to their network to the platform. The general categories of Brands are:

*Global/National:* These are the major corporations such as car rental, hotel, fuel, airline, drug prescription, services, office supplies, insurance, financial services, food, home repair, fashion brands, sporting & lifestyle brands, etc.

*Regional:* These are local product and service providers that may compete with the national sponsors but offer a higher level of local service. Their promotional strategy may be highly differentiated from the national sponsors.

*Vertical:* These sponsors are very specialized within the VSN and their topic of interest. For example extreme sports may have helmets and snow board manufacturers targeted specifically to this vertical.

### ***Revenue Model***

Revenues will be derived from Brands paying to access and deliver targeted social sponsorship promotional campaigns to these users in the form of media buying based on standard digital media metrics such as impressions, and the users being rewarded with xCredits for their engagement activity.

### ***Acquisition and Partnership Strategy***

SPO may consider executing a partnership and acquisition strategy to drive growth and adoption of the SponsorsCloud. SPO may consider acquiring creative marketing teams and VSN's. By partnering and/or acquiring creative teams with existing contracts with brands or a VSN with substantial user base, SPO expects it can significantly accelerate adoption and growth of SponsorsCloud by leveraging existing relationships that contain trust and decision making responsibility.

Marketing, Media, and Creative agencies can present an effective manner for SPO to work with brands. These agencies are where the majority of marketing campaigns and budgets flow through. Many brands look to the boutique marketing and creative agencies to deliver their marketing campaigns, especially within the challenging digital and social media space. Brands spend over USD\$600 billion annually to market their products and services. Of this total expenditure, 70% is utilized to acquire distribution to ad networks with the balance of the budget used for creative production. These agencies are unique in their ability to attract and retain the rare combination of creative, marketing, and technology talent. They assist brands on properly executing their marketing campaigns in the social and digital era. SPO may consider partnering with or acquiring well suited marketing and creative agencies to deliver SPO's solutions to the brands.

Existing VSN's with an established user base present an effective manner for SPO to establish and monetize proprietary advertising networks tailored towards certain brands looking to capitalize on a specific target demographic. SPO may consider partnering or acquiring a VSN to introduce SponsorsCloud to the user base and deliver that user base to brands as a proprietary ad network for social sponsorship.

## **COMPANY HIGHLIGHTS**

On May 8, 2017, the Company announced the closing of a non-brokered private placement for gross proceeds of \$100,000 (the "Offering") through the issuance of 2,000,000 units (the "Units") at a price of \$0.05 per Unit. Each Unit is comprised of one common share (a "Common Share") and one common share purchase warrant (a "Warrant"). Each Warrant entitles the holder thereof to acquire one additional Common Share of the Company exercisable for 36 months from the closing of the Offering at an exercise price of \$0.15 per Common Share. The Company has also issued an aggregate of 350,548 Units in settlement of an aggregate of \$17,527.40 of indebtedness at a price of \$0.05 per Unit on the same terms and conditions as the Offering.

## **FINANCIAL PERFORMANCE**

### **Three months ended June 30 2017 compared with June 30, 2016**

SPO's net loss totalled \$203,425 for the three months ended June 30, 2017, with basic and diluted loss per share of \$0.01. This compares with a net loss of \$391,945 with basic and diluted loss per share of \$0.01 for the three months ended June 30, 2016.

Net loss for three months ended June 30, 2017 principally related to marketing, general and administrative services of \$176,600 (2016 - \$336,318), research and development of \$22,500 (2016 - \$48,924), depreciation of \$3,669 (2016 - \$3,669) and finance expense of \$656, (2016 - \$3,034).

## **CASH FLOW**

At June 30, 2017, the Company had cash and cash equivalents of \$9,234 compared to \$43 at December 31, 2016. The increase in cash and cash equivalents of \$9,191 from December 31, 2016 was a result of cash inflow from financing activities.

## **LIQUIDITY AND CAPITAL RESOURCES**

The Company is in the early stage of operations and is in the process of expanding its operations and requires additional capital to achieve its strategic objectives. The Company requires additional working capital to fund product development and business development efforts expanding its VSN, building and acquiring new VSN and licensing its technology, establishing strategic partnerships, and executing acquisitions.

As at June 30, 2017, the Company had a working capital deficiency of \$2,178,188. SponsorsOne is currently not generating operating cash flows, and has significant cash requirements to continue its research and development of its platforms and administrative overhead. In order to meet future expenditures and development costs, SponsorsOne will need to raise additional financing. Although SponsorsOne has been successful in obtaining financing to date, there can be no assurance that adequate funding will be available in the future, or available under terms favourable to SponsorsOne. Whether and when the Company can attain profitability and positive cash flows is uncertain. These uncertainties represent significant risks to the Company's ability to continue as a going concern.

The Company is currently working on raising additional funds to address the current working capital deficiency and the company has implemented a strict cash flow management process with oversight from the board of directors to ensure cash is utilized in the most effective manner. This includes weekly cash flow management meetings, budget committee pre-approval of all cash expenses and disbursements, and on-going cash balance tracking and management. During times of working capital deficiencies, management and the board of directors collectively prioritize necessary payments and communicate payment plans with the relevant stakeholders/vendors.

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## RELATED PARTY TRANSACTIONS

During the period ended June 30, 2017, key management compensation was \$340,880 (2016 - \$358,660). Management compensation has been included in the following expense accounts:

<i>June 30,</i>	<b>2017</b>	2016
Consulting fees	\$ <b>258,000</b>	\$ 330,000
Accounting fees	<b>18,000</b>	18,000
Share-based compensation	<b>82,880</b>	10,660
	<b>\$ 340,880</b>	\$ 358,660

As at June 30, 2017 included in accounts payable and accrued liabilities is \$1,146,502 (2016 – \$1,407,639) due to related parties for consulting services.

In February 2007, a company controlled by an officer of the Company entered into a loan agreement for the purchase of equipment. As the Company holds an exclusive use agreement over the equipment, which was obtained for the benefit of the Company, and the Company has agreed to pay for all reasonable costs associated with using and financing the equipment, the equipment and corresponding loan obligation are recorded on the Company's records. The loan amount was \$42,043, maturing February 2023 bearing interest at 6.69%. The loan was refinanced at 7.71% for another five years effective February 2012. The equipment serves as collateral for the loan. As at June 30, 2017, the balance of this loan was \$23,102 (2016 – \$23,559).

In March 2011, an officer of the Company entered into a loan agreement for the purchase of equipment. As the Company holds an exclusive use agreement over the equipment, which was obtained for the benefit of the Company, and the Company has agreed to pay for all reasonable costs associated with using and financing the equipment, the equipment and corresponding loan obligation are recorded on the Company's records. The loan amount was \$176,910, maturing February 2028 bearing interest at 7.64%. The loan was refinanced at 7.10% in August 2013, with the maturity date unchanged. The equipment serves as collateral for the loan. As at June 30, 2017, the balance of this loan was \$142,945 (2016 - \$144,838).

Both loans have now been classified as current as payments are past due and the loans are now in default and the lenders have demanded immediate repayment.

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

<b><i>As at June 30,</i></b>	<b>2017</b>	2016
Payments due within one year	<b>166,047</b>	22,722
Payments due years two to five	-	90,888
Total Interest paid	-	50,512

## **RISK FACTORS**

An investment in the securities of the Company is highly speculative and involves numerous and significant risks. Such investment should be undertaken only by investors whose financial resources are sufficient to enable them to assume these risks and who have no need for immediate liquidity in their investment. Prospective investors should carefully consider the risk factors that have affected, and which in the future are reasonably expected to affect, the Company and its financial position. Please refer to the section entitled "Risks Factors" in the Company's Annual MD&A, which is available on SEDAR under the Company's profile at [www.sedar.com](http://www.sedar.com).