SPACEFY INC.

Condensed Interim Financial Statements
For the three and nine months ended September 30, 2018 (Unaudited)

(Expressed in Canadian Dollars)

SPACEFY INC.
Condensed Interim Statements of Financial Position (Unaudited)
(Expressed in Canadian Dollars)

	Notes	As at September 30, 2018	As at December 31, 2017
ASSETS			
Current assets			
Cash		**$ 5,072**	$ 4,675
Cash held in trust	11	**11,542**	31,100
Total cash		**16,614**	35,775
Accounts receivable	5	**27,228**	23,325
Prepaid expenses	6	**164,599**	105,365
Total current assets		**208,441**	164,465
Non-current assets			
Property and equipment	7	**781**	1,066
Intangible assets	4,8	**46,260**	58,366
Total non-current assets		**47,041**	59,432
Total Assets		**$ 255,482**	$ 223,897
LIABILITIES AND SHAREHOLDERS' DEFICIENCY			
Current liabilities			
Accounts payable and accrued liabilities		**$ 211,413**	$ 200,243
Deferred revenue		**161**	-
Current portion of loans from related parties	9	**301,894**	179,076
Total current liabilities		**513,468**	379,319
Non-current liabilities			
Loans from related parties	9	**90,228**	87,725
Total liabilities		**603,696**	467,044
Shareholders' deficiency			
Share capital	11	**948,212**	920,712
Preferred shares	11	**388,035**	5,000
Warrants	11	**28,535**	28,535
Contributed surplus	9,11	**577,870**	552,335
Deficit		**(2,290,866)**	(1,749,729)
		(348,214)	(243,147)
Total Liabilities and Shareholders' Deficiency		**$ 255,482**	$ 223,897

See accompanying notes to the financial statements

Approved on behalf of the Board of Directors:

____________________ Director

____________________ Director

SPACEFY INC.

Condensed Interim Statement of Loss and Comprehensive Loss (Unaudited)
(Expressed in Canadian Dollars)

	Notes	Three months ended Sept. 30, 2018	2017	Nine months ended Sept. 30, 2018	2017
REVENUE					
Commission revenue		**$ 1,603**	$ 424	**$ 2,816**	$ 896
Other		**-**	-	**311**	-
		1,603	424	**3,127**	896
EXPENSES					
General and administrative		**32,501**	23,668	**148,443**	70,773
Finance costs	**9**	**31,840**	2,196	**46,344**	5,846
Research and development		**-**	700	**2,730**	9,386
Sales and marketing		**16,809**	14,195	**53,712**	51,184
Operations and customer support	**9**	**87,707**	59,734	**278,361**	207,929
Amortization of intangible assets	**8**	**4,229**	4,280	**12,772**	12,838
Depreciation of equipment	**7**	**95**	95	**285**	285
Stock option expense	**11**	**539**	540	**1,617**	4,868
Share based compensation	**11**	**-**	-	**-**	96,000
		173,720	105,408	**544,264**	459,109
Net loss and total comprehensive loss		**$ (172,117)**	$ (104,984)	**$ (541,137)**	$ (458,213)
Loss per share					
Basic	**12**	**$ (0.01)**	$ (0.01)	**$ (0.03)**	$ (0.03)
Diluted	**12**	**$ (0.01)**	$ (0.01)	**$ (0.03)**	$ (0.03)

See accompanying notes to the financial statements

SPACEFY INC.

Condensed Interim Statement of Changes in Deficiency (Unaudited)
(Expressed in Canadian Dollars)

	Share Capital Common Shares (Note 11)	Share Capital Preferred Shares (Note 11)	Warrants	Contributed Surplus	Deficit	Total
	$	$	$	$	$	$
Balance at December 31, 2016	793,412	-	28,535	36,558	(1,127,559)	(269,054)
Share based compensation	96,000	-	-	-	-	96,000
Stock option expense	-	-	-	4,867	-	4,867
Loan from related party	-	-	-	8,512	-	8,512
Net loss for the period	-	-	-	-	(458,213)	(458,213)
Balance at September 30, 2017	**889,412**	**-**	**28,535**	**49,937**	**(1,585,772)**	**(617,888)**
Balance at December 31, 2017	920,712	5,000	28,535	552,335	(1,749,729)	(243,147)
Stock option expense	-	-	-	1,617	-	1,617
Loan from related party	-	-	-	23,918	-	23,918
Shares issued for services (9)	27,500	-	-	-	-	27,500
Shares issued on private placement (11(c))	-	390,000	-	-	-	390,000
Share issuance costs (11(c))	-	(6,965)	-	-	-	(6,965)
Net loss for the period	-	-	-	-	(541,137)	(541,137)
Balance at September 30, 2018	**948,212**	**388,035**	**28,535**	**577,870**	**(2,290,866)**	**(348,214)**

See accompanying notes to the financial statements

SPACEFY INC.

Condensed Interim Statement of Cash Flows (Unaudited)
(Expressed in Canadian Dollars)

	Nine months ended September 30, 2018	2017
Cash flows from operations		
Net loss for the period	**$ (541,137)**	$ (458,213)
Items not affecting cash:		
Stock option expense	**1,617**	4,868
Share based marketing and consulting compensation	**-**	96,000
Shares issued for services (Note 9)	**27,500**	-
Amortization of intangible assets	**12,771**	12,837
Depreciation of equipment	**285**	285
Finance costs on related party loan (Note 9)	**18,844**	4,308
Changes in non-cash working capital		
Accounts receivable	**(3,903)**	1,139
Deferred revenue	**161**	-
Prepaid expenses	**(59,234)**	-
Accounts payable and accrued liabilities	**11,170**	36,986
	(531,926)	(301,790)
Cash flows from investing activities		
Cash held in trust	**19,558**	-
Additions of intangible assets	**(665)**	-
	18,893	-
Cash flows from financing activities		
Proceeds of issuance of preferred shares, net of costs	**383,035**	-
Loan received from related party	**130,395**	20,000
Loan received from Avonhurst Capital Corp. (Note 9)	**-**	281,239
	513,430	301,239
Net change in cash	**397**	(551)
Cash – beginning of period	**4,675**	4,776
Cash – end of period	**$ 5,072**	$ 4,225

Non-Cash Investing and Financing Transactions (Notes 11 and 14)

See accompanying notes to the financial statements

1. CORPORATE INFORMATION

Spacefy Inc. (the "Company" or "Spacefy") hosts an online marketplace connecting individuals and businesses in the creative industry to space owners who can provide locations best suited to their project needs.

The company was incorporated on August 25, 2014 under the laws and regulations of the Ontario Business Corporations Act. The registered office and principal place of business is Suite 300, 110 Spadina Avenue, Toronto, ON, M5V 2K4. The financial statements were authorized for issue on November 29, 2018 by the directors of the Company.

Going concern

These financial statements have been prepared assuming the Company will continue as a going concern. The going concern basis of presentation assumes the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. However, the Company has experienced net losses to date and has an accumulated deficit of $2,290,866. Although the Company believes it will be successful, there is no guarantee the Company will attain its goal of a successful online marketplace. As a result, there is material uncertainty about the Company's ability to continue as a going concern.

These statements have been prepared on the basis of accounting principles applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts different from those in the accompanying financial statements. Such adjustments could be material. Management is of the opinion that working capital will be obtained from future cash flows by achieving profitable operations through continuing to manage expenditures and concentrating on building upon the revenue level. Any shortfalls in liquidity will be met via external financing.

2. BASIS OF PRESENTATION

a) Basis of Presentation

These financial statements are prepared on a going concern basis and have been presented in Canadian dollars, the functional currency of the Company.

The Condensed Consolidated Interim Financial Statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") and its interpretations adopted by the International Accounting Standards Board ("IASB") and in accordance with IAS 34, Interim Financial Reporting ("IAS 34").

These financial statements have been prepared on the historical cost basis, with the exception of items that IFRS requires to be carried at fair value, as explained in the accounting policies set out in Note 3 to the Company's Audited Financial Statements for the years ended December 31, 2017 and 2016.

2. BASIS OF PRESENTATION (continued)

b) Accounting judgments and use of estimates:

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years. Although these estimates are based on management's best knowledge of the current events and actions that the Company may undertake in the future, actual results may differ from these estimates.

i. Development phase of internally generated intangible assets

The classification of costs for internally generated intangible assets into the research and development phase is subject to judgment. Refer to Note 3(d) to the 2017 audited financial statements for accounting policy for intangible assets.

ii. Impairment

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts exceed their recoverable amounts. Judgment is required in establishing whether there are indicators of impairment related to these assets such as changes in market price, the extent or manner in which it is being used or in its physical condition, operations and business environment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

iii. Determination of fair values using option pricing models

The Company measures the cost of equity-settled transactions consisting of share purchase options and warrants offered to service providers and employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the stock option, volatility and dividend yield and making assumptions about them. Changes in the input assumptions can materially affect the fair value estimate.

iv. Acquisitions

The assessment of whether an acquisition constitutes a business is subject to judgement and requires the Company to review whether the acquired operations contain all three elements of a business including inputs, processes and the ability to create output. The measurement of identifiable assets acquired and liabilities assumed at fair value, and contingent consideration, on the date of acquisition is subject to management estimation.

v. Determination of the fair value for the loan from related party

The Company recognizes the loan from SB2 Group Inc. initially at fair value and it is considered Level 3 in the fair value hierarchy for financial instruments. The valuation model considered the present value of expected payments, discounted using a risk-adjusted discount rate. The significant unobservable input used is the risk-adjusted discount rate of 12% that reflects the credit risk of the counterparty.

3. SIGNIFICANT ACCOUNTING POLICIES

These Condensed Interim Financial Statements reflect the accounting policies described in Note 3 to the Company's Audited Consolidated Financial Statements for the years ended December 31, 2017 and 2016, and accordingly, should be read in conjunction with the 2017 Audited Consolidated Financial Statements and the notes thereto.

(a) New Accounting Policies

(i) IFRS 2, Share-Based Payment:

In June 2016, IFRS 2 was amended with "Amendment to IFRS 2 – Classification and Measurement of Share Based Payment Transactions." These amendments address the classification and measurement of share-based payment transactions for a number of situations where existing guidance is not clear. The amendments were applied with an effective date of January 1, 2018 with no impact to the Interim Condensed Financial Statements.

(ii) IFRS 9, Financial Instruments:

In July 2014, the IASB issued IFRS 9 which replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model where the basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset.

The standard is effective for annual periods beginning on or after January 1, 2018. Under the transitional provisions, management has opted to retain prior figures as reported under the previous standards, recognizing the cumulative effect, if any, of applying IFRS 9 as an adjustment to the opening balance of equity as at the date of initial application.

Upon adoption of the new standard, the classification of loans and receivables no longer exists and all financial assets classified as loans and receivables, including cash, cash held in trust and accounts and other receivables, have been classified as financial assets at amortized cost. The Company's financial liabilities also continue to be classified as financial liabilities at amortized cost.

The impact of applying IFRS 9, including the adoption of the 'expected loss' impairment model, was determined to be insignificant. Accordingly, no adjustments were considered necessary to the unaudited Interim Condensed Financial Statements as a result of adopting IFRS 9 with an effective date of January 1, 2018.

(iii) IFRS 15, Revenue from Contracts with Customers:

In May 2014, the IASB issued IFRS 15 which supersedes existing standards and interpretations including IAS 18, Revenue and IFRIC 13, Customer Loyalty Programs. IFRS 15 introduces a single model for recognizing revenue from contracts with customers with the exception of certain contracts under other IFRSs such as IAS 17, Leases. This Standard requires revenue to be recognized in a method that depicts the transfer of promised goods or services to a customer and at an amount that reflects the expected consideration receivable in exchange for transferring those goods or services.

This standard is effective for annual periods beginning on or after January 1, 2018 and is required to be applied retrospectively to all contracts that are not complete on the date of initial application. Under the transitional provisions, management has opted to retain prior figures as reported under the previous standards, recognizing the cumulative effect, if any, of applying IFRS 15 as an adjustment to the opening balance of equity as at the date of initial application. Upon adoption of the new standard, the Company identified the following area as being affected by the new standard:

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

- Under the Rental Commissions segment, management has reviewed the contracts to identify distinct performance obligations and whether each identified obligation is satisfied over time or at a point in time. Prior to the adoption of IFRS 15, revenue from contracts in the Rental Commissions segment was measured at a point of time, being at the time of completion of the rental terms under contract. Management has assessed the impact of the timing of recognition of distinct performance obligations and concluded that the contracts under the Rental Commissions segment is recognized at the time of completion of the contract which is when the Company has satisfied its performance obligations.

Accordingly, no adjustments were made to the unaudited Interim Condensed Financial Statements as a result of adopting IFRS 15 with an effective date of January 1, 2018.

(b) New Standards and Interpretations Not Yet Adopted

The IASB and International Financial Reporting Interpretations Committee ("IFRIC") have issued several new and revised standards and interpretations which are not yet effective for the period ended September 30, 2018 and have not been applied in preparing these Condensed Interim Financial Statements unless stated otherwise. However, the revised standards and interpretations are not applicable to the Company or are expected to have minimal impact.

4. ACQUISITION OF DOMAIN NAME

On August 1st, 2016 the Company acquired certain assets namely domain names "spacefy.com", "spacefy.uk" and "spacefy.co.uk" from Kebran Ventures and loudlif.com WW Inc. The total consideration for these assets is $20,000 in cash and 50,000 warrants in Spacefy Inc. Each warrants entitles the holder to acquire 1 common share of the Company at an exercise price of $0.20 during the period commencing on the date of acquisition and ending on August 2, 2019.

The Fair Value of Assets acquired was valued at $22,410 and have been classified as intangible assets.

The breakdown of total purchase price is as follows:

Cash	$	**20,000**
Warrants		**2,410**
	$	**22,410**

(Expressed in Canadian Dollars)

4. ACQUISITION OF DOMAIN NAME (continued)

On June 16, 2015, the Company acquired 100% ownership in the business assets of TFL Properties by paying $25,000 cash, a warrant agreement to acquire 50,000 shares of the Company and a revenue sharing agreement. This was accounted for as an asset acquisition.

The Fair Value of Assets acquired is as follows:

Domain name	**$**	**11,200**
Listing of locations		**4,993**
Non-compete agreement		**614**
Prepaid consulting services		**9,333**
	$	**26,140**

The domain name, list of locations and non-compete agreement have been classified as intangible assets while the consulting services have been classified as prepaid services.

The breakdown of total purchase price is as follows:

Cash	**$**	**25,000**
Warrants		**1,140**
	$	**26,140**

The contingent consideration is payable based on a percentage of gross rental commissions received by the Company from any TFL properties acquired or new properties introduced to Spacefy by previous owners at the following rates: 30% in year one, 20% in year two and 10% in year three. The fair value had been assessed at $nil.

5. ACCOUNTS RECEIVABLE

		September 30, 2018		December 31, 2017
Other Receivable	**$**	**-**	$	10,200
Sales Tax Receivable		**27,228**		13,125
	$	**27,228**	$	23,325

6. PREPAID EXPENSES

Prepaid amounts comprise amounts paid in advance at year end for consulting and marketing services to be received, and other costs.

		September 30, 2018		December 31, 2017
Bullvestor Medien	**$**	**50,000**	$	50,000
Share issue costs		**64,599**		5,365
Loud Media and Awareness		**50,000**		50,000
	$	**164,599**	$	105,365

(Expressed in Canadian Dollars)

7. PROPERTY AND EQUIPMENT

	September 30, 2018	December 31, 2017
COST		
Balance at beginning of period	**$ 1,903**	$ 1,903
Additions	**-**	-
Balance at end of period	**$ 1,903**	$ 1,903

ACCUMULATED DEPRECIATION		
Balance at beginning of period	**$ 837**	$ 456
Depreciation	**285**	381
Balance at of period	**$ 1,122**	$ 837
NET BOOK VALUE	**$ 781**	$ 1,066

8. INTANGIBLE ASSETS

	Domain name	**Listing of Locations**	**Non-Compete Agreement**	**Website**	**Trademark**	**Total**
COST						
Balance at January 1, 2017	$ 33,610	$ 4,993	$ 614	$ 49,240	$ 7,634	$ 96,091
Additions	-	-	-	-	-	-
Balance at December 31, 2017	$ 33,610	$ 4,993	$ 614	$ 49,240	$ 7,634	$ 96,091
Additions	-	-	-	665	-	665
Balance at September 30, 2018	**$ 33,610**	**$ 4,993**	**$ 614**	**$ 49,905**	**$ 7,634**	**$ 96,756**

(Expressed in Canadian Dollars)

8. INTANGIBLE ASSETS (continued)

	Domain name	Listing of Locations	Non-Compete Agreement	Website	Trademark	Total
ACCUMULATED AMORTIZATION						
Balance at January 1, 2017	$ -	$ 625	$ 323	$ 19,660	$ -	$ 20,608
Amortization	-	500	204	16,413	-	17,117
Balance at December 31, 2017	$ -	$ 1,125	$ 527	$ 36,073	$ -	$ 37,725
Amortization	-	375	87	12,309	-	12,771
Balance at September 30, 2018	**$ -**	**$ 1,500**	**$ 614**	**$ 48,382**	**$ -**	**$ 50,496**
NET BOOK VALUE AT DECEMBER 31, 2017	$ 33,610	$ 3,868	$ 87	$ 13,167	$ 7,634	$ 58,366
NET BOOK VALUE AT SEPTEMBER 30, 2018	**$ 33,610**	**$ 3,493**	**$ -**	**$ 1,523**	**$ 7,634**	**$ 46,260**

9. RELATED PARTY TRANSACTIONS

Loans from related parties:	**September 30, 2018**	December 31, 2017
Due to SB2 Group Inc.	**$ 131,955**	$ 144,270
Due to Scott Paterson	**66,539**	61,214
Due to Scharfe Holdings	**27,524**	25,304
Due to Brad Scharfe	**39,118**	36,013
Due to Leede Jones Gable Inc.	**126,986**	-
Loan from related parties	**$ 392,122**	$ 266,801

SB2 Group Inc. ("SB2") is related to the Company since Michael Bradley is a director of both SB2 and the Company. The amount payable of $150,000 was originally non-interest bearing, unsecured and was due on August 15, 2017. This loan was amended on August 1, 2017 to replace the original repayment date of August 15, 2017. The Amendment includes a fixed principal repayment schedule of thirty monthly installments of $5,000 payable to SB2 commencing January 2018. The repayment schedule was subsequently amended effective January 1, 2018 to commence the installment payments in September 2018 with the final payment due in February 2021. Effective September 1, 2018, the repayment schedule on the loan from SB2 was further amended with installment payments to commence 30 days subsequent to the closing an initial public offering. The final payment will be due within 31 months of Closing. All other terms of the original loan agreement were unchanged and no additional costs or fees were incurred on these amendments. The fair value of this financial liability was determined using a 12% (2017 – 3.25%) interest rate over the term period of the loan and repayment. The difference in fair value of loan and cash received has been classified in contributed surplus. Interest expense is being recognized over the term of the loan, utilizing the effective interest rate method.

9. RELATED PARTY TRANSACTIONS (continued)

During the three months ended September 30, 2018, SB2 advanced $5,395. These advances are non-interest bearing, unsecured, and have no specific terms of repayment.

During the nine months ended September 30, 2018, the Company was charged $15,650 ($22,500 during the nine months ended September 30, 2017) in rent to SB2 Group Inc. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the parties. At September 30, 2018, $2,500 ($33,183 on December 31, 2017) owing to SB2 Group Inc. was included in accounts payable and accrued liabilities.

On December 6, 2017, the Company issued a $25,000 promissory note to Scott Paterson. Scott Paterson is a shareholder of SB2. The promissory note bears interest of 12% per annum and is due on demand. As at September 30, 2018, the amount includes accrued interest of $2,420 (December 31, 2017 - $201). If the Company does not repay the principal and interest when demanded, interest will be calculated on the unpaid balance from that point forward at 18% per annum.

On November 24, 2017, the Company issued a $25,000 promissory note to Scharfe Holdings. Scharfe Holdings is owned by a director and shareholder of the Company. The promissory note bears interest of 12% per annum and is due on demand. As at September 30, 2018, the amount includes accrued interest of $2,524 (December 31, 2017 - $304). If the Company does not repay the principal and interest when demanded, interest will be calculated on the unpaid balance from that point forward at 18% per annum.

On October 4, 2017, the Company issued a $35,000 promissory note to Brad Scharfe, a director and shareholder of the Company. The promissory note bears interest of 12% per annum and is due on demand. As at September 30, 2018, the amount includes accrued interest of $4,117 (December 31, 2017 - $1,013). If the Company does not repay the principal and interest when demanded, interest will be calculated on the unpaid balance from that point forward at 18% per annum.

On October 4, 2017, the Company issued a $35,000 promissory note to Scott Paterson, a shareholder of SB2. The promissory note bears interest of 12% per annum and is due on demand. As at September 30, 2018, the amount includes accrued interest of $4,120 (December 31, 2017 - $1,013). If the Company does not repay the principal and interest when demanded, interest will be calculated on the unpaid balance from that point forward at 18% per annum.

On August 3, 2018 the Company entered into a Loan Agreement and issued a Promissory Note for a total of $125,000 to the Leede Jones Gable Inc. (the"Agent") in return for a short-term loan which has been advanced to the Company. The Company issued a total of 183,333 common shares to the Agent at a deemed price of $0.15 per share for a total payment of $27,500 representing bonus and administrative fees related fees for this loan. The loan carries an interest rate of 10% per year calculated annually, payable on repayment of the loan and can be repaid in common shares at a deemed price of $0.15 per share at the Agent's option. The loan is repayable on the date that is the earlier of August 3, 2019 or the date that the common shares of the Company are listed on the Canadian Securities Exchange. The Company is a connected issuer to the Agent by virtue of this loan.

Avonhurst Capital Corp. is related to the Company since the Chairman of the Company (Bradley Scharfe), indirectly has beneficial ownership of and control and direction over, voting securities carrying 12.7% of the voting rights attached to the outstanding securities of Avonhurst Capital Corp. On June 17, 2016, the Company signed a promissory note with Avonhurst Capital Corp. to provide financing of up to $260,000 to the Company. The Company received $220,000 of financing for working capital as of December 31, 2016. As per the terms of the promissory note, the Company was liable to pay interest on this loan at 0.5% per annum of which $516 and $921 had been accrued for the three and nine months ended September 30, 2017. The principal amount of the loan was unsecured.

(Expressed in Canadian Dollars)

9. RELATED PARTY TRANSACTIONS (continued)

On July 26th, 2016, the Company signed a Letter of Intent ("LOI") to sell all of the issued and outstanding shares of the Company to Avonhurst Capital Corp. The transaction valued the Company at $3,535,375 made up of approximately 14,141,500 common shares of Avonhurst Capital Corp at a deemed price of $0.25 per share and Warrants exercisable for a period of 24 months at a price of $0.40 per share. The LOI was subsequently amended on October 15, 2016 to terminate on the earlier of March 15, 2017 or if Avonhurst Capital Corp. fails to provide $40,000 per month in working capital for the Company as per the terms of the promissory note. On October 18, 2017, the LOI was terminated.

In December 2017, the Company settled $503,149 (being the full amount of principal and interest owing to Avonhurst) with the issuance of 2,500,000 common share purchase warrants. Each common share purchase warrant is exercisable into one common share at an exercise price of $0.20 for a period of 24 months. The warrants were assigned a total value of $nil using the Black Scholes option pricing model using the assumptions noted in Note 11(e). The issuance of the shares resulted in a gain on settlement of debt in the amount of $503,149 based on the fair market value on the date of issuance. The gain was deemed to be a capital transaction and therefore was recorded in contributed surplus due to the shareholder’s of the Company owning 53.96% of Avonhurst Capital Corp’s shares at December 31, 2017 (50.16% - 2016).

Key management personnel are those persons that have authority and responsibility for planning, directing and controlling the activities of the Company, directly and indirectly. As of September 30, 2018, the Company’s key management personnel consist of its directors and senior management (Chief Executive Officer and Co-Founders). The Company incurred fees and expenses in the normal course of operations in connection with the key management and directors. Details are as follows for the three and nine months ended September 30, 2018 and 2017:

	Three months ended September 30,		Nine months ended September 30,	
Nature of Transactions	**2018**	2017	**2018**	2017
Management fees and salaries	**$ 78,000**	$ 58,813	**$ 226,500**	$ 194,223
Stock based compensation	**539**	539	**1,617**	100,868
	$ 78,539	$ 59,352	**$ 228,117**	$ 295,091

10. COMMITMENTS AND CONTINGENCIES

As part of the Board’s ongoing compliance process, the Board continues to monitor legal and regulatory developments and their potential impact on the Company. The Company takes legal advice as to the potential outcomes of claims and actions and provisions are made where appropriate. No provision is made where the directors consider, based on that advice, that the action does not meet the more that likely than not criteria. Contingent liabilities are disclosed where the Company cannot make a sufficiently reliable estimate of the potential obligation.

Management is not aware of any contingencies that may have a significant impact on the financial position of the Company.

(Expressed in Canadian Dollars)

11. SHARE CAPITAL

a) Authorized and Issued Share Capital

The Company's authorized share capital consists of an unlimited number of common shares and preferred shares without par value.

b) Share Capital Transactions – Common Shares

	Number of shares		Amount
As at December 31, 2016	**13,661,500**	**$**	**793,412**
Issuance of shares (i)	480,000		96,000
Issuance of shares (ii)	1,815,000		36,300
Share issue costs	-		(5,000)
As at December 31, 2017	**15,956,500**	**$**	**920,712**
Issuance of shares (Note 9)	183,333		27,500
As at September 30, 2018	**16,139,833**	**$**	**948,212**

i. On January 1, 2017, the Company granted 480,000 restricted stock units ("RSU's) to senior management and advisors to vest on performance and deliverables being declared satisfactory by the Board. They vested on March 31, 2017. The fair value of the RSUs was $0.20 per common share.

ii. On December 31, 2017, the Company closed a private placement financing for gross proceeds of $36,300 through the issuance of 1,815,000 common shares at an issue price of $0.02 per share. $26,100 of the gross proceeds are included in the cash held in trust amount at December 31, 2017, and $10,200 of the gross proceeds are included in the accounts receivable amount as at December 31, 2017. The full amount has been received as at September 30, 2018. The Company paid legal fees of $5,000 in relation to this placement and it was recorded as share issue costs.

c) Preferred shares

On March 5, 2018, the Company closed a private placement financing for gross proceeds of $395,000 through the issuance of 395,000 preferred shares at an issue price of $1.00 per share. Each preferred share automatically converts into 20 common shares upon the issuance of a receipt by a securities regulator or regulatory authority in Canada qualifying as freely tradable Common Shares issuable on exercise of Preferred Shares. As at December 31, 2017, the Company received $5,000 of the total proceeds from the above private placement, which were included in the cash held in trust amount as at December 31, 2017. Legal fees of $5,365 and filing fees of $1,600 were charged and have been recorded as share issue costs.

d) Stock Options

The Company has a stock option plan in place under which it is authorized to grant options of up to 10% of its outstanding shares of the Company to officers, directors, employees, and consultants. The exercise price of each option is to be determined by the Board of Directors. Stock options granted vest over the period determined by the Board of Directors.

(Expressed in Canadian Dollars)

11. SHARE CAPITAL (continued)

Details of stock option transactions for the nine months ended September 30, 2018 are as follows:

	Number of options	Weighted average exercise price of options
Outstanding, December 31, 2016	1,025,000	$ 0.14
Granted	75,000	0.25
Outstanding, December 31, 2017	1,100,000	0.14
Expired	230,000	0.07
Outstanding, September 30, 2018	870,000	$ 0.16

The weighted average fair value of options granted for the nine months ended September 30, 2018 was $nil (year ended December 31, 2017 - $2,138).

The fair value of each option was estimated on the date of the grant using the Black-Scholes fair value option pricing model. The following assumptions were used for options issued in the year ended December 31, 2017. No options were issued in the current period:

	Year ended December 31, 2017
Risk-free interest rate	0.75%
Volatility	31.2%
Share price	$ 0.20
Exercise price	$ 0.25
Dividend yield	-
Forfeiture rate	-
Weighted average expected life of options	3 years

The following table summarizes the information regarding stock options outstanding as at September 30, 2018:

Exercise price per share	Number outstanding	Weighted average life (years)	Number exercisable
0.07	370,000	1.71	300,625
0.07	50,000	1.71	40,625
0.25	375,000	0.30	375,000
0.25	75,000	1.38	75,000
	870,000	1.27	791,250

For the three and nine months ended September 30, 2018, the Company recorded stock option expense of $539 and $1,617 (three and nine months ended September 30, 2017 - $540 and $4,868).

(Expressed in Canadian Dollars)

11. SHARE CAPITAL (continued)

e) Warrants

In August 2016, the Company issued 50,000 warrants in Spacefy Inc. as part of the consideration for acquisition of domain name. Each warrant entitles the holder to acquire 1 common share of the Company at an exercise price of $0.20 during the period commencing on the date of acquisition and ending on August 2, 2019.

In December 2017, the Company issued 2,500,000 warrants to settle a promissory note (see Note 9).

The following table summarizes the information regarding warrants outstanding as at September 30, 2018:

	Number of warrants		**Amount**
As at December 31, 2016	2,662,500	$	28,535
Warrants issued to settle debt	2,500,000		-
As at December 31, 2017 and September 30, 2018	5,162,500	$	28,535

The fair value of each warrant was estimated on the issuance date using the Black-Scholes fair value pricing model. The following assumptions were used for warrants issued in the year ended December 31, 2017. No warrants were issued in the current period:

	Year ended December 31, 2017
Risk-free interest rate	1.68%
Volatility	38.7%
Share price	$ 0.02
Exercise price	$ 0.20
Dividend yield	-
Forfeiture rate	-
Weighted average expected life of options	2 years

(Expressed in Canadian Dollars)

12. LOSS PER SHARE

The computations for basic and diluted loss per share are as follows:

	Three months ended September 30		Nine months ended September 30,	
	2018	2017	**2018**	2017
Net loss used in:				
Basic loss per share	**$ (172,117)**	$ (104,984)	**$ (541,137)**	$ (458,213)
Diluted loss per share	**$ (172,117)**	$ (104,984)	**$ (541,137)**	$ (458,213)
Weighted average number of common shares as basis for:				
Basic loss per share	**16,064,463**	14,141,500	**15,992,223**	14,141,500
Diluted loss per share	**16,064,463**	17,858,875	**15,992,223**	17,858,875
Loss per share:				
Basic	**$ (0.01)**	$ (0.01)	**$ (0.03)**	$ (0.03)
Diluted	**$ (0.01)**	$ (0.01)	**$ (0.03)**	$ (0.03)

All potential dilutive stock options and warrants were excluded from the dilutive calculations as they are anti-dilutive due to the loss for the period.

13. FINANCIAL INSTRUMENTS

a) Categories of Financial Assets and Liabilities

The Company’s financial instruments are classified into the following categories:

	As at September 30, 2018	As at December 31, 2017
Loans and receivables	**$ 16,614**	$ 45,975
Other financial liabilities	**$ 603,535**	$ 467,044

Financial instruments classified as loans and receivables consist of cash and accounts receivable (excluding government receivable). Financial instruments classified as other financial liabilities consist of accounts payable and accrued liabilities and loans payable.

b) Fair Value of Financial Instruments

The Company has classified fair value measurements of its financial instruments using a fair value hierarchy that reflects the significance of inputs used in making the measurements as follows:

Level 1: Valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Valuation based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices, such as quoted interest or currency exchange rates;

13. FINANCIAL INSTRUMENTS (continued)

Level 3: Valuation based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

There were no transfers between levels during the year. The fair values of cash, cash held in trust, accounts receivable, accounts payable and accrued liabilities and loans payable approximate their carrying value due to their short-term maturities or the effective interest rates approximating the fair values rates.

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

c) Management of Risks Arising from Financial Instruments

The Company's financial instruments are exposed to the following financial risks:

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. Management does not believe there is any significant credit risk from any of the Company's customers as orders are only processed after payment is received. The Company reviews financial assets past due on an ongoing basis with the objective of identifying potential matters which could delay the collection of funds at an early stage. Once items are identified as being past due, contact is made with the respective customer to determine the reason for the delay in payment and to establish an agreement to rectify the breach of contractual terms. To manage cash credit risk, the Company only engages banks with appropriate credit ratings.

Currency risk

The Company generates all revenue in Canadian dollars but expenses are incurred in both U.S. and Canadian dollars, exposing the Company to fluctuations in earnings from volatility in foreign currency rates. Management however concludes the exposure to currency risk is not material and the Company does not utilize any financial instruments or cash management policies to mitigate such currency risks.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company is exposed to this risk mainly with respect to ensuring the sufficiency of funds for working capital and commitments. The Company monitors the maturity dates of existing accounts payable and accrued liabilities, loans payable, and commitments to mitigate this risk. The Company's financial liabilities are comprised of accounts payable and accrued liabilities and loans from related parties.

(Expressed in Canadian Dollars)

13. FINANCIAL INSTRUMENTS (continued)

The payments due by period are set out in the following tables:

As at September 30, 2018:

	Payment due by period			
	Less than one year	**Between one and five years**	**More than five years**	**Total**
Accounts payable and accrued liabilities	$ 211,413	$ -	$ -	$ 211,413
Loan from related parties	315,562	100,000	-	415,562
	$ 526,975	**$ 100,000**	**$ -**	**$ 626,975**

As at December 31, 2017:

	Payment due by period			
	Less than one year	**Between one and five years**	**More than five years**	**Total**
Accounts payable and accrued liabilities	$ 200,243	$ -	$ -	$ 200,243
Loan from related parties	182,531	90,000	-	272,531
	$ 382,774	**$ 90,000**	**$ -**	**$ 472,774**

14. NON – CASH FINANCING ACTIVITIES

For the nine months ended September 30,	**2018**	2017
Share based marketing & other compensation	**$ 27,500**	$ 96,000

15. CAPITAL MANAGEMENT

The Company's capital management objectives are to ensure its ability to continue as a going concern and to grow its operations. The Company derives its financing from internally generated revenue and external sources. The capital structure of Spacefy currently consists of Shareholders' equity and loans payable. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. This may involve Spacefy arranging more loans, issuing new shares through private placements, or selling assets to fund operations. Management reviews its capital management approach on a regular basis. The Company is not subject to externally imposed capital requirements.

The Company invests all capital that is surplus to its immediate operational needs in short-term, liquid and highly-rated financial instruments, such as cash and other short-term guaranteed deposits, all held with major financial institutions.

16. SUBSEQUENT EVENTS

On October 5, 2018, the Company issued an additional $15,000 promissory note to G. Scott Paterson. The promissory note bears interest of 12% per annum and is due on demand. If the Company does not repay the principal and interest when demanded, interest will be calculated on the unpaid balance from that point forward at 18% per annum.

On October 5, 2018, the Company issued an additional $15,000 promissory note to Scharfe Holdings Inc. The promissory note bears interest of 12% per annum and is due on demand. If the Company does not repay the principal and interest when demanded, interest will be calculated on the unpaid balance from that point forward at 18% per annum.

On November 28, 2018 the Company successfully completed its initial public offering ("IPO") of 13,350,000 units of the Company (each a "Unit") at a price of $0.15 per Unit for gross proceeds of $2,002,500. Each Unit consisted of one common share in the capital of the Company (each a "Share") and one warrant (each a "Warrant"). Each Warrant is exercisable into one Share at a price of $0.40 per Share until November 28, 2020. The Shares were listed on the Canadian Securities Exchange effective November 28, 2018 and commenced trading under the symbol SPFY.

Leede Jones Gable Inc. acted as the agent (the "Agent") for the IPO. The Agent received a corporate finance fee of $30,000 and, along with members of its selling syndicate, a total cash commission of 9% of the gross proceeds of the IPO and a total of 1,201,500 non-transferrable warrants (each an "Agent's Warrant") calculated as a total of 9% of the number of Units sold. Each Agent's Warrant entitles the holder to purchase one Share at a price of $0.15 per Share for a period of twenty-four (24) months from the date of issuance until November 28, 2020.