SPACEFY INC.

Financial Statements
For the years ended December 31, 2018 and December 31, 2017

(Expressed in Canadian Dollars)

Tel: 905 946 1066
Fax: 905 946 9524
www.bdo.ca

BDO Canada LLP
60 Columbia Way, Suite 300
Markham, ON L3R 0C9 Canada

Independent Auditor's Report

To the Shareholders of Spacefy Inc.

Opinion

We have audited the financial statements of Spacefy Inc. (the Entity), which comprise the statements of financial position as at December 31, 2018 and December 31, 2017, and the statements of comprehensive loss, changes in equity (deficiency) and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2018 and December 31, 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

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 Financial Statements* section of our report. We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Entity has experienced net losses to date and has an accumulated deficit of $2,626,074 at December 31, 2018. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Entity's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis for the year ended December 31, 2018. Our opinion on the 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 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 financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Management's Discussion and Analysis for the year ended December 31, 2018 prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

BDO Canada LLP, a Canadian limited liability partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the financial statements, management is responsible for assessing the Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.
Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Entity'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 Entity'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 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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 Brion Hendry.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
April 30, 2019

SPACEFY INC.

Statements of Financial Position as at December 31, 2018 and December 31, 2017
(Expressed in Canadian Dollars)

	Notes		2018		2017
ASSETS					
Current assets					
Cash		**$**	**100,060**	$	4,675
Cash held in trust			**1,107,935**		31,100
Accounts receivable	4		**70,441**		23,325
Prepaid expenses	5		**100,721**		105,365
Total current assets			**1,379,157**		164,465
Non-current assets					
Property and equipment	6		**685**		1,066
Intangible assets	7		**44,612**		58,366
Total non-current assets			**45,297**		59,432
Total Assets		**$**	**1,424,454**	$	223,897
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)					
Current liabilities					
Accounts payable and accrued liabilities		**$**	**470,848**	$	200,243
Current portion of loans from related parties	8		**49,942**		179,076
Total current liabilities			**520,790**		379,319
Non-current liabilities					
Loans from related parties	8		**90,228**		87,725
Total liabilities			**611,018**		467,044
Shareholders' equity (deficiency)					
Share capital	10		**2,280,015**		920,712
Preferred shares to be issued	10		**-**		5,000
Warrants	10		**548,630**		28,535
Contributed surplus			**610,865**		552,335
Deficit			**(2,626,074)**		(1,749,729)
			813,436		(243,147)
Total Liabilities and Shareholders' Equity (Deficiency)		**$**	**1,424,454**	$	223,897

See accompanying notes to the financial statements

Approved on behalf of the Board of Directors:

"Michael Bradley"
Director

"John Anderson"
Director

SPACEFY INC.

Statements of Comprehensive Loss for the years ended December 31, 2018 and December 31, 2017
(Expressed in Canadian Dollars)

	Notes	2018	2017
REVENUE			
Commission revenue		**$ 3,273**	$ 3,135
Other		**316**	-
		3,589	3,135
EXPENSES			
General and administrative		**249,938**	134,289
Finance costs	**8**	**30,361**	9,209
Research and development		**3,605**	9,911
Sales and marketing		**75,547**	63,860
Operations and customer support		**504,193**	289,131
Amortization of intangible assets	**7**	**13,753**	17,117
Depreciation of property and equipment	**6**	**381**	381
Stock option expense	**10**	**2,156**	5,407
Share based compensation	**10**	**-**	96,000
		879,934	625,305
Net loss and total comprehensive loss		**$ (876,345)**	$ (622,170)
Loss per share			
Basic	**11**	**$ (0.05)**	$ (0.04)
Diluted	**11**	**$ (0.05)**	$ (0.04)

See accompanying notes to the financial statements

SPACEFY INC.

Statements of Changes in Equity (Deficiency) for the years ended December 31, 2018 and December 31, 2017
(Expressed in Canadian Dollars)

	Share Capital Common Shares (Note 10)	Share Capital - Preferred Shares (Note 10)	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	-	-	-	5,407	-	5,407
Loan from related party	-	-	-	7,221	-	7,221
Settlement of related party debt (Note 8)	-	-	-	503,149	-	503,149
Shares issued on private placement	36,300	-	-	-	-	36,300
Shares to be issued on private placement	-	5,000	-	-	-	5,000
Share issuance costs	(5,000)	-	-	-	-	(5,000)
Net loss for the year	-	-	-	-	(622,170)	(622,170)
Balance at December 31, 2017	**920,712**	**5,000**	**28,535**	**552,335**	**(1,749,729)**	**(243,147)**
Stock option expense	-	-	-	2,156	-	2,156
Expiry of warrants	-	-	(26,125)	26,125	-	-
Shares issued for services (Note 8)	27,500	-	-	-	-	27,500
Loan from related party	-	-	-	30,249	-	30,249
Shares issued on private placement	-	390,000	-	-	-	390,000
Shares issued on IPO	2,002,500	-	-	-	-	2,002,500
Valuation of warrants	(462,115)	-	462,115	-	-	-
Share issuance costs	(597,123)	(10,465)	84,105	-	-	(523,483)
Shares issued to settle debt (Note 8)	4,006	-	-	-	-	4,006
Conversion of preferred shares	384,535	(384,535)	-	-	-	-
Net loss for the year	-	-	-	-	(876,345)	(876,345)
Balance at December 31, 2018	**2,280,015**	**-**	**548,630**	**610,865**	**(2,626,074)**	**813,436**

See accompanying notes to the financial statements

SPACEFY INC.

Statement of Cash Flows for the years ended December 31, 2018 and December 31, 2017
(Expressed in Canadian Dollars)

	2018	2017
Cash flows from operations		
Net loss for the year	**$ (876,345)**	$ (622,170)
Items not affecting cash:		
Stock option expense	**2,156**	5,407
Share based marketing and consulting compensation	**-**	96,000
Amortization of intangible assets	**13,753**	17,117
Depreciation of property and equipment	**381**	381
Finance costs on related party loan (Note 8)	**30,361**	9,209
Changes in non-cash working capital		
Accounts receivable	**(47,116)**	(6,907)
Prepaid expenses	**4,644**	(5,365)
Accounts payable and accrued liabilities	**270,606**	109,989
	(601,560)	(396,339)
Cash flows from investing activities		
Cash held in trust	**(1,076,835)**	(31,100)
	(1,076,835)	(31,100)
Cash flows from financing activities		
Issuance of common shares for cash, net of costs	**1,516,982**	21,100
Issuance of preferred shares for cash, net of costs	**379,535**	-
Proceeds of preferred shares to be issued	**-**	5,000
Proceeds from loans from related parties	**189,395**	120,000
Loan from related parties repayments	**(312,132)**	-
Loan received from Avonhurst Capital Corp. (Note 8)	**-**	281,238
	1,773,780	427,338
Net change in cash	**95,385**	(101)
Cash – beginning of year	**4,675**	4,776
Cash – end of year	**$ 100,060**	$ 4,675

Non-Cash Investing and Financing Transactions (Notes 10 and 14)

See accompanying notes to the financial statements

1. CORPORATE INFORMATION

Spacefy Inc. (the "Company" or "Spacefy") is an online marketplace that connects people in creative industries, such as photographers, filmmakers, musicians, artists, ad agencies, and event planners, with locations to execute their projects.

The Company was incorporated on August 25, 2014 under the laws and regulations of the Ontario Business Corporations Act. On November 29, 2018, the Company completed an initial public offering ("IPO") and commenced trading on the Canadian Securities Exchange under the symbol SPFY. The registered office and principal place of business is 1 University Avenue, 3rd floor, Toronto, Ontario.

The financial statements were authorized for issue on April 30, 2019 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 $2,626,074. 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, material uncertainty exists that may cast significant doubt 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 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and are presented in Canadian dollars, which is also the Company's functional currency.

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.

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 3d 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. 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

a) Cash

Cash comprises cash on hand, deposits and guaranteed investment certificates that can be readily converted to cash.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Cash held in Trust

Cash raised by the Company through financing is held in a trust account without any restrictions.

c) Property and equipment

On initial recognition, property and equipment is valued at cost, being the purchase price and directly attributable cost of acquisition required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company. Property and equipment are subsequently measured at cost less accumulated depreciation and accumulated impairment. Property and equipment is depreciated on a straight line basis over the estimated useful lives. The annual depreciation rates for furniture, fixtures and equipment is 5 years. All major repairs and maintenance costs are recognized as expense in the statement of comprehensive loss.

d) Intangible assets

Intangible assets are acquired and/or internally generated; all costs incurred during the research phase of development are expensed.

The amount recognized as intangible assets from the development of the Company's website represent amounts whereby technical feasibility, intention to complete the project, ability to use the website, probability of generating future economic benefits, availability of adequate technical, financial and other resources to complete the project and ability to measure reliably the expenditure attributable to the intangible asset during its development can be demonstrated. Acquired and internally generated intangible assets are recognized at cost and amortized on a straight line basis over the estimated useful life of the assets. The Company amortizes the website development costs at 3 years, location (TFL) non-compete asset at 3 years and the listing of TFL location spaces (customer relationship) at 10 years. The TFL and Bruno Kebran domain name and trademark acquired are not subject to amortization as they are assessed to have an indefinite life and are reviewed annually for impairment. The Company completed an annual impairment assessment using the fair value less costs of disposal method and concluded that there is no impairment as at December 31, 2018.

e) Income taxes

Income tax expense comprises current and deferred income tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in shareholders' equity. Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to income tax payable in respect of previous years.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit or loss. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. They are offset only when they arise in the same legal entity and jurisdiction.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Impairment of Non-financial Assets

Carrying values of property and equipment and intangible assets with a finite useful life are tested for impairment whenever an indicator of such impairment exists. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated. The carrying values of intangible assets with an indefinite useful life are reviewed for impairment on an annual basis. This is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or the Company's assets. If this is the case, the individual assets are grouped together into cash generating units ("CGU") for impairment purposes. Such CGUs represent the lowest level for which there are separately identifiable cash inflows that are largely independent of the cash flows from other assets. The recoverable amount is determined as the higher of the fair value less cost to sell for the asset and the asset's value in use being the present value of the expected future cash flows of the relevant asset or CGU.

If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to profit or loss so as to reduce the carrying amount to its recoverable amount (i.e. the higher of fair value less cost to sell and value in use). Impairment losses are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

g) Financial Instruments

(i) Classification and Measurement

Financial assets and financial liabilities are initially measured at fair value and are subsequently accounted for based on their classification as described below. The classification depends on the purpose for which the financial instruments were acquired and their characteristics. Except in very limited circumstances, the classification is not changed subsequent to initial recognition.

Financial Assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following categories: amortized cost, fair value through profit or loss, or fair value through other comprehensive income.

Amortized cost

The Company's financial assets measured at amortized cost comprise cash, cash held in trust, and accounts receivable.

Due to their short-term nature, the carrying value of cash, cash held in trust, and accounts receivable approximates their fair value.

Financial Liabilities at Fair Value Through Profit or Loss (FVTPL)

Financial liabilities that are incurred with the intention of generating profits in the near term are classified as fair value through profit or loss. Financial liabilities classified as FVTPL include derivative liabilities that are not accounted for as hedging instruments, obligations to deliver financial assets borrowed by a short seller and financial liabilities that are part of a portfolio of identified financial instruments that are managed together with the intention of generating profits in the near term. These instruments are accounted for at fair value with the change in the fair value recognized in the statement of comprehensive income during the period. Attributable transaction costs are recognized in the statement of comprehensive income when incurred. The Company does not have any financial liabilities classified as fair value through profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Other Financial Liabilities

Other liabilities are accounted for at amortized cost using the effective interest rate method. Accounts payable and accrued liabilities and loans from related parties are classified as other financial liabilities. Transaction costs are included in the underlying balance.

(ii) Determination of Fair Value

The fair value of a financial instrument on initial recognition is the transaction price, which is the fair value of the consideration given or received. Subsequent to initial recognition, fair value is determined by management using available market information or other valuation methodologies.

(iii) Fair Value Hierarchy

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3).

The three levels of the fair value hierarchy are as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly;

Level 3: Inputs that are not based on observable market data.

(iv) Derecognition

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

(v) Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to set off the recognized amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

h) Share Capital

The Company’s share capital includes the following:

(i) Proceeds from the exercise of stock options, warrants and purchase of shares are recorded as share capital in the amount for which the option or warrant enabled the holder to purchase a share in the Company.

(ii) Share capital issued for services received from third parties is recorded at an amount based on the fair market value of the services received.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(iii) The proceeds from the issue of units is allocated between common shares and common share purchase warrants on a prorated basis on relative fair values as follows: the fair value of common shares is based on the stock price on the date the units are issued; and the fair value of the common share purchase warrants is determined using the Black-Scholes option pricing model.

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

i) Share-based Payments

Where equity settled share options are awarded to employees, the fair value of the options are measured at the date of grant for each tranche and expensed on a straight line basis over the vesting period, based on an estimate of options that are expected to vest with a corresponding increase in equity (contributed surplus). The fair value of the share options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the share options were granted. At the end of each reporting period, any changes in the original estimate of the options expected to vest is recognized in profit or loss such that the cumulative expense reflects the revised estimate with a corresponding adjustment to equity. Where shares are granted to persons other than employees, share capital is increased for the fair value of goods and services received.

j) Warrants

Warrants issued are classified separately as equity in accordance with the terms of the contractual arrangement and the definitions of a financial liability and an equity instrument. See Note 10 (Share capital) for terms.

k) Earnings (Loss) per Share

Basic earnings per share is computed by dividing the net income or loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant year.

Diluted earnings per share is computed by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted.

l) Revenue Recognition

The Company generates its revenue from listing services provided to space owners and renters. It charges property owners and renters a fixed percentage of rent paid by site visitors to rent locations listed by property owners.

The Company recognizes revenue based on the following criteria: when persuasive evidence that an arrangement exists, services have been rendered, the price is fixed or determinable and collectability is reasonably assured. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Under the agency model, the Company acts as the agent in the transaction, passing bookings reserved by the site renter to the relevant space owner for which it charges commissions from the renter. Revenue is therefore recognized on a net basis as the services are provided as an agent without assuming control of the site rental services.

To drive traffic on the website, the Company provides incentives to space renters in the form of discounts. These incentives are generally treated as reductions in revenue.

m) New Standards, Amendments, and Interpretations not yet Effective

Certain new standards, interpretations, amendments and improvements to existing standards have been issued by the IASB and become applicable at a future date. The standards impacted that may be applicable to the Company are as follows:

(i) IFRS 16, Leases:

In January 2016, the IASB issued this standard, which brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases and requires all leases, including operating and financing to be reported on a company's balance sheet. IFRS 16 supersedes IAS 17, Leases, and related interpretations and is effective for periods beginning on or after January 1, 2019, which earlier adoption permitted if IFRS 15, Revenue from Contracts with Customers, has also been applied. As the Company is currently not subject to any lease, the impact on adopting this standard on the financial statements is not material.

(ii) IFRIC 23, Uncertainty over Income Tax Treatment:

In June 2017, the IFRS Interpretations Committee of the IASB issued IFRIC 23, Uncertainty over Income Tax Treat ments (IFRIC 23). The interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The interpretation is effective for the annual period beginning on January 1, 2019. The Company has concluded that no impact will result from the application of IFRIC 23 on its financial statements.

n) Adoption of New Accounting Standards

IFRS 9 Financial Instruments

Effective January 1, 2018, the Company adopted IFRS 9 Financial Instruments (IFRS 9) which replaced IAS 39, Financial Instruments: Recognition and Measurement (IAS 39). IFRS 9 includes revised guidance on the classification and measurement of financial assets and liabilities; new guidance for measuring impairment on financial assets; and new hedge accounting guidance.

On adoption of IFRS 9, the Company has classified the financial assets and financial liabilities held at January 1, 2018, based on the new classification requirements and the characteristics of each financial instrument as at the transition date. The new classification did not require a restatement of prior periods.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 15 Revenue from Contracts with Customers

As of January 1, 2018, the Company has adopted IFRS 15 retrospectively, which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The model requires an entity to recognize revenue as the goods or services are transferred to the customer in an amount that reflects the expected consideration.

The adoption of IFRS 15 did not have a significant impact on the Company's revenue recognition policies.

4. ACCOUNTS RECEIVABLE

	2018	2017
Sales Tax Receivable	**$ 70,441**	$ 13,125
Subscriptions Receivable	**-**	10,200
	$ 70,441	$ 23,325

5. PREPAID EXPENSES

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

	2018	2017
Bullvestor Medien	**$ 50,000**	$ 50,000
Loud Media and Awareness	**50,000**	50,000
Other	**721**	-
Share issue costs	**-**	5,365
	$ 100,721	$ 105,365

6. PROPERTY AND EQUIPMENT

	2018	2017
COST		
Balance at January 1	**$ 1,903**	$ 1,903
Additions	**-**	-
Balance at December 31	**$ 1,903**	$ 1,903
ACCUMULATED DEPRECIATION		
Balance at January 1	**$ 837**	$ 456
Depreciation	**381**	381
Balance at December 31	**$ 1,218**	$ 837
NET BOOK VALUE AT DECEMBER 31	**$ 685**	$ 1,066

7. 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	-	-	-	-	-	-
Balance at December 31, 2018	**$ 33,610**	**$ 4,993**	**$ 614**	**$ 49,240**	**$ 7,634**	**$ 96,091**
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	-	500	87	13,167	-	13,754
Balance at December 31, 2018	**$ -**	**$ 1,625**	**$ 614**	**$ 49,240**	**$ -**	**$ 51,479**
NET BOOK VALUE						
At December 31, 2017	$ 33,610	$ 3,868	$ 87	$ 13,167	$ 7,634	$ 58,366
At December 31, 2018	**$ 33,610**	**$ 3,368**	**$ -**	**$ -**	**$ 7,634**	**$ 44,612**

8. RELATED PARTY TRANSACTIONS

Loan from related parties		**2018**		2017
Due to SB2 Group Inc.	**$**	**132,008**	$	144,270
Due to Scott Paterson		**-**		61,214
Due to Scharfe Holdings		**3,317**		25,304
Due to Brad Scharfe		**4,845**		36,013
Loan from related parties	**$**	**140,170**	$	266,801

SB2 Group Inc. ("SB2") is related to the Company by virtue of common shareholders and 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 of an initial public offering (November 29, 2018), and subsequently, a final amendment was made to have payments commence in March 2019. These amendments were accounted for as modifications of the initial loan and as such any adjustments were reflected through the statement of comprehensive loss. 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 by virtue of the related party providing the non-interest bearing loan in their capacity as a shareholder. Interest expense is being recognized over the term of the loan, utilizing the effective interest rate method.

During the year ended December 31, 2018, SB2 advanced $34,395 to the Company, of which $29,000 was repaid. The remaining balance of $5,395 is non-interest bearing, unsecured, and has no specific terms of repayment.

During the year ended December 31, 2018, the Company was charged $15,650 (2017 - $30,000) in rent by SB2 Group Inc. These transactions are measured at the amount of consideration established and agreed to by the parties. At December 31, 2018, $10,000 (2017 - $33,183) owing to SB2 Group Inc. was included in accounts payable and accrued liabilities.

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. On December 6, 2017, the Company issued an additional $25,000 to the promissory note. On October 5, 2018, the Company issued another $15,000 promissory note. The promissory notes bore interest of 12% per annum and were due on demand. If the Company did not repay the principal and interest when demanded, interest would be calculated on the unpaid balance from that point forward at 18% per annum. On December 10, 2018, the Company repaid the principal and interest in full.

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. On October 5, 2018, the Company issued an additional $15,000 to the promissory note. 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 repaid the principal balance of $40,000. As at December 31, 2018, the amount owing includes accrued interest of $3,317 (2017 - $304).

8. RELATED PARTY TRANSACTIONS (continued)

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. On November 28, 2018, the Company repaid the principal balance of $35,000. As at December 31, 2018, the amount owing includes accrued interest of $4,845 (2017 - $1,013).

Avonhurst Capital Corp. was related to the Company as the owners of the Company owned 53.96% of the Avonhurst Capital Corp.'s shares at December 31, 2017 (50.16% - 2016). 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 is liable to pay interest on this loan at 0.5% per annum of which $373 has been accrued in 2016. The principal amount of the loan is unsecured.

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 following assumptions: share value nominal, risk free interest rate 1.68%, Volatility 38.7%, dividend yield 0% and an expected life of 2 years. The issuance of the warrants resulted in a gain on settlement of debt in the amount of $503,149 based on the fair value determined 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.

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 December 31, 2018, the Company's key management personnel consist of its directors and senior management (Chief Executive Officer, Chief Financial 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:

Nature of Transactions		**2018**		2017
Management fees and salaries	**$**	**304,500**	$	276,000
Stock based compensation		**2,156**		64,450
	$	**306,656**	$	340,450

9. 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 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.

10. 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 under private placement (ii)		1,815,000		36,300
Share issue costs		-		(5,000)
As at December 31, 2017	**$**	**15,956,500**	**$**	**920,712**
Shares issued for services (iv)		183,333		27,500
Conversion of preferred shares to common (iii)		7,900,000		384,535
Issuance of shares under IPO (iv)		13,350,000		2,002,500
Valuation of warrants (iv)		-		(462,115)
Share issue costs - warrants (iv)		-		(84,105)
Share issue costs - cash (iv)		-		(485,518)
Share issue costs - shares (iv)		-		(27,500)
Shares issued to settle debt (note 8)		26,712		4,006
As at December 31, 2018	**$**	**37,416,545**	**$**	**2,280,515**

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 year-end, and $10,200 of the gross proceeds are included in the accounts receivable amount as at year-end. The Company paid legal fees of $5,000 in relation to this placement and it was recorded as share issue costs.

10. SHARE CAPITAL (continued)

iii. Preferred shares and conversion to common

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 was automatically convertible 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 $8,865 and filing fees of $1,600 were charged and have been recorded as share issue costs. On November 28, 2018, the preferred shares were converted to 7,900,000 common shares.

iv. On November 28, 2018 the Company 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 Warrants were valued at $462,115 using the Black Scholes model with the following assumptions: annualized volatility 100%, risk-free interest rate 2.21%, dividend yield 0%, and expected life of 2 years. Volatility is estimated based on comparable public companies with similar business and risk profiles.

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. The Agent Warrants were valued at $84,105 using the Black Scholes model with the assumptions noted above.

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 loan carried an interest rate of 10% per year calculated annually, payable on repayment of the loan and the interest could be repaid in common shares at a deemed price of $0.15 per share at the Agent’s option. The loan was 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. On November 28, 2018, the Company repaid the principal balance of $125,000 in cash and issued 26,712 common shares to settle $4,006 of interest that had accrued. The Company also issued a total of 183,333 common shares to the Agent at a deemed price of $0.15 per share for a total value of $27,500 representing additional services related to the IPO.

c) 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.

10. SHARE CAPITAL (continued)

Details of stock option transactions are as follows:

	Number of options	**Weighted average exercise price of options**
Outstanding, January 01, 2017	1,025,000	$ 0.14
Granted	75,000	0.25
Outstanding, December 31, 2017	1,100,000	0.14
Expired	(230,000)	0.07
Forfeited	(21,198)	0.07
Outstanding, December 31, 2018	**848,802**	$ 0.17

The weighted average fair value of options granted for the year ended December 31, 2018, is $nil (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 current period:

	Year ended December 31, 2018	Year ended December 31, 2017
Risk-free interest rate	-	0.75%
Volatility	-	31.2%
Share price	-	$ 0.20
Exercise price	-	$ 0.20
Dividend yield	-	-
Forfeiture rate	-	-
Weighted average expected life of options	-	3 years

The following table summarizes the information regarding stock options outstanding as at December 31, 2018:

Exercise price per share	**Number outstanding**	**Weighted average life (years)**	**Number exercisable**
0.07	348,802	1.46	306,406
0.07	50,000	1.46	44,271
0.25	375,000	0.04	375,000
0.25	75,000	1.13	75,000
	848,802	0.80	800,677

For the year ended December 31, 2018, the Company recorded stock option expense of $2,156 (2017: $5,407).

10. SHARE CAPITAL (continued)

d) Warrants

The following table summarizes the information regarding warrants outstanding as at December 31, 2018:

	Number of shares	Amount
As at January 1, 2017	2,662,500	$ 28,535
Warrants issued to settle debt (note 8)	2,500,000	-
As at December 31, 2017	5,162,500	28,535
Expiry of warrants	(2,612,500)	(26,125)
Issued on IPO (note 10)	14,551,500	546,220
As at December 31, 2018	17,101,500	$ 548,630

11. LOSS PER SHARE

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

		2018		2017
Net loss used in:				
Basic loss per share	**$**	**(876,345)**	$	(622,170)
Diluted loss per share	**$**	**(876,345)**	$	(622,170)
Weighted average number of common shares as basis for:				
Basic and diluted loss per share		**17,897,198**		14,140,185
Loss per share:				
Basic and diluted	**$**	**(0.05)**	$	(0.04)

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.

12. INCOME TAX

The Company's effective tax rate differs from the amount obtained by applying the Canadian statutory tax rate due to the following:

		December 31, 2018		December 31, 2017
Loss before taxes	**$**	**(876,345)**	$	(622,170)
Canadian statutory tax rate		**26.5%**		26.5%
Income tax recovery		**(232,231)**		(164,875)
Items non-deductible for tax purposes		**5,308**		25,471
Settlement of related party debt		**-**		132,828
Share issuance cost		**(128,662)**		-
Deferred income tax recovery - unrecognized		**355,585**		6,576
Income tax expense	**$**	**-**	$	-

The Company has not recognized a deferred tax asset in respect of the following:

		December 31, 2018		December 31, 2017
Deferred income tax assets related to:				
Non–capital losses	**$**	**459,545**	$	210,370
Share issue costs		**103,725**		1,060
Property and equipment		**323**		222
Intangible assets		**11,858**		8,214
Total deferred income tax asset - unrecognized	**$**	**575,451**	$	219,866

As at December 31, 2018, the Company had non-capital losses in Canada of $1,734,132 that may be applied against future income for income tax purposes. If unused, these non-capital losses will expire 2034 onwards. The benefit of these credits has not been recognized in the financial statements.

13. RISK MANAGEMENT

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. Credit risk on sales tax receivable balances is considered insignificant.

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.

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

As at December 31, 2018:

	Payment due by period			
	Less than one year	**Between one and five years**	**More than five years**	**Total**
Accounts payable and accrued liabilities	$ 470,848	$ -	$ -	$ 470,848
Loans from related parties	63,557	100,000	-	163,557
	$ 534,405	**$ 100,000**	**$ -**	**$ 634,405**

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**

13. RISK MANAGEMENT (continued)

Fair Value Risk

Due to their short-term nature, the carrying value of cash, cash held in trust, accounts receivable, accounts payable and accrued liabilities and current portion of loans from related parties approximates their fair value. The fair value of long-term loans from related parties was calculated at $126,613 using a discounted cash flow analysis.

14. NON – CASH FINANCING ACTIVITIES

		Year ended December 31, 2018		Year ended December 31, 2017
Share based marketing & consulting compensation	**$**	**-**	$	96,000
Shares issued for services	**$**	**27,500**		-
Shares issued to settle debt	**$**	**4,006**		-

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

Subsequent to the year end, 799,909 warrants were exercised for gross proceeds of $119,986.

Subsequent to the year end, the Company granted, 1,500,000 Restricted Share Units (each an "RSU") to the CEO which vests in equal portions monthly over 36 months with a start date of January 9, 2019. Vested RSUs convert to common shares of the Company on the vesting date. In addition, the Company granted the CEO options to purchase a total of 1,500,000 common shares of the Company at a price of $0.15 per common share until January 9, 2023 vesting in equal portions monthly over 36 months. The Company also granted options to purchase a total of 180,000 common shares of the Company to various other employees of the Company at a price of $0.15 per common and vesting evenly over 48 months.

On February 28, 2019 the Company completed a private placement offering of units (each a “Unit”) for gross proceeds of $1,409,400, for a total issue of 7,047,000 Units. Each Unit was comprised of one common share, and one common share purchase warrant exercisable for a period of twenty-four months from closing at a price of $0.40 per share. Leede Jones Gable Inc. as lead agent and members of the selling group receive a total commission of $84,864 in cash and 422,820 agent’s compensation options, each exercisable at $0.20 into a Unit.