

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### SPACEFY INC.

#### Management Discussion and Analysis

For the three months ended March 31, 2019

Dated: May 29, 2019

*The following is a discussion and analysis of the activities, results of operations and financial condition of Spacefy Inc. ("Spacefy" or the "Company") for three months ended March 31, 2019 and the comparable period ended March 31, 2018. The discussion should be read in conjunction with the unaudited condensed interim financial statements for the three months ended March 31, 2019 and March 31, 2018 and related notes thereto, and the audited annual financial statements for the years ended December 31, 2018 and 2017. The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All monetary amounts are reported in Canadian dollars unless otherwise noted. These documents, as well as additional information on the Company, are filed electronically through the System for Electronic Document Analysis and Retrieval (SEDAR) and are available online at [www.sedar.com](http://www.sedar.com).*

This discussion contains forward-looking statements that are historical in nature and involves risks and uncertainties. Forward-looking statements are not a guarantee as to Spacefy's future results as there are inherent difficulties in predicting future results. This MD&A includes, but is not limited to, forward looking statements. Management considers the assumptions on which these forward-looking statements are based to be reasonable at the time the statements were prepared. Accordingly, actual results could differ materially from those expressed or implied in the forward-looking statements.

### DESCRIPTION OF THE BUSINESS

Spacefy Inc. ("Spacefy" or the "Company") was incorporated in Canada on August 25, 2014, under the Ontario Business Corporations Act. On November 29, 2018 Spacefy completed an Initial Public Offering ("IPO") and commenced trading on the Canadian Securities Exchange under the symbol SPFY.

The address of the Company's registered office is 1 University Avenue, 3<sup>rd</sup> floor, Toronto, Ontario.

Spacefy is an Internet-based marketplace for connecting Creatives, which includes a range of people in the creative industries such as photographers, filmmakers, ad agencies and their agents, event planners, musicians and other members of the arts community, with locations to execute their creative projects. Spacefy provides a marketplace where property owners and/or managers ("Space Owners") of venues can showcase their properties complete with detailed descriptions, photographs, and descriptions of various amenities. This marketplace is the Spacefy Platform. On the Platform, individuals or businesses connect with venue owners to find, and book short-term locations listed on the Spacefy platform. These venues include houses and condos, restaurants and bars, professional photography and music studios, vacant retail shops, event venues or farms.

Spacefy matches demand for short-term venue rentals with individuals and businesses that wish to list their residential, commercial or non-traditional space or location on a fee for hire basis.

#### Revenue Model

The Company's revenue model is driven by both segments; Spaces and Creatives.

Creatives browse the listings for a location that fits their creative needs, budgetary requirements, schedule availability and artistic style. Once they find the right Space, they can book, co-ordinate and transact within the Spacefy Platform. Spacefy revenue is derived from a combination of commission fees and processing fees. A typical transaction attracts a 15% fee payable to Spacefy, and split between the renter and the space owner.

The Spacefy Platform enables Creatives to browse for Spaces, connect with hosts and send multiple booking requests. Once a suitable Space is identified, a booking inquiry through the Spacefy platform is sent to the Space Owner with specific dates/hours and a brief description of the proposed usage. The Space Owner is notified of the request, can review it and decide whether to accept or decline the booking. If the Space is listed with a set price, Space Owners will only have the option to accept or decline based on the price they initially set. If the Space is listed with a Flex

price option, the Space Owners can negotiate with the prospective renter using the Spacefy platform. If the renter accepts the space owner's counter-offer, or a subsequent counter-offer, or if the space owner accepts a counter-offer from the renter, then a booking will be created.

#### Spacefy Products and Service

The Spacefy Platform is an online secure platform that was created to handle listing and booking of locations for short-term daily and hourly rentals. It is a fully functional listing and booking platform built on Magento Ecommerce Technology. The Spacefy website is mobile-responsive, adapting to deliver an optimal user experience irrespective of device, screen size or display resolution.

The Spacefy Platform provides tools and features for renters and space owners to manage their profile, bookings, communications and listings. Under the "My Listings" tab, owners can edit their listings, add images, manage their calendar, view bookings and temporarily disable a listing.

Creatives can search and browse for Spaces by location and type of space. Once a Creative finds a Space that would meet his or her requirements, he or she can request a price from the Space Owner on the space listing page. Spacefy's 'Flex' tool allows back and forth negotiations between Space Owner and Creator until an offer is accepted or declined. All communications between Creators and Space Owners take place via the Spacefy Platform and users receive notifications and status updates via email. The only requirement for listing a space is a few minutes of a Space Owner's time to enter a title, a brief description of the Space, select 'Flex' price (price request) or 'Set' price (set hourly and daily price), available amenities, promotional photos, and service hours. Once the listing is submitted it is reviewed by Spacefy staff. Once approved, the listing is published on the Spacefy site.

The Company 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 marketplace provides users with the ability to search for suitable spaces, then negotiate, reserve and book these spaces for use and includes a mapping function along with other filtering tools to help find suitable locations within a geographic region.

#### Growth Strategy

- Launch New Platform - Spacefy will migrate to a new custom platform in the second half of 2019. The new platform will bring important new features for space owners and creatives, while also improving Spacefy's agility, scalability, and readiness to operate in other languages and locales.
- Accelerate space acquisitions - Building on strong space inventory selection in Toronto and New York, Spacefy will focus on increasing the pace of inventory expansion in Vancouver, Chicago, Los Angeles and other key cities. By increasing investment in space acquisition programs, while continuing to refine approach, Spacefy aims to accelerate and reduce the cost of acquisition at the same time.
- Acquire Creatives and generate revenue - Initiate campaigns targeting Creatives and other revenue generating users including social media, search engine optimization, online and offline paid advertising, public relations and events. Commence business development activities with potential strategic partners, value added resellers (VARs), trade associations and government bodies.

#### **Highlights**

- The Company surpassed 3,500 spaces listed for rent in its database.
- On January 2, 2019, the Company appointed Russ Patterson, former eBay executive, as Chief Executive Officer.
- On February 28, 2019, the Company completed a private placement offering for gross proceeds of \$1,409,400.

## Results of Operations

### Revenues

Revenues to date consisting of commissions have not been material as the company has been more focused on strengthening the team and culture, tightening operating procedures, securing additional financing, exploring potential partnerships, improving the customer experience, updating the software platform, and accelerating the pace of Space inventory acquisition - both to expand Spacefy's geographic footprint, and to create additional inventory selection for Spacefy's strongest cities.

### Expenses

During the three months ended March 31, 2019, the Company initiated a marketing campaign, developed business strategies and hired staff to support the Company's growth initiative. Most of the operational expenditures for the three months ended March 31, 2018 were directed towards the pursuit of listing on a stock exchange.

Statement of loss for the three months ended March 31, 2019 and March 31, 2018:

	2019	2018
<b>REVENUE</b>		
Commission revenue	\$ 2,631	\$ 941
Other	-	311
	<b>2,631</b>	<b>1,252</b>
<b>EXPENSES</b>		
Sales and marketing (i)	291,235	14,414
Salaries and benefits (ii)	203,440	73,437
Stock option expense (iii)	67,901	539
General and administrative (iv)	49,846	12,100
Professional fees (v)	43,874	83,208
Consulting	38,000	10,000
Investor relations (vi)	15,808	-
Finance costs	4,460	7,350
Research and development	-	794
Depreciation of property and equipment	460	95
Amortization of intangible assets	125	4,279
	<b>715,149</b>	<b>206,217</b>
<b>Net loss and total comprehensive loss</b>	<b>\$ (712,518)</b>	<b>\$ (204,965)</b>

- (i) Sales and marketing expenses increased, as the Company initiated various marketing campaigns.
- (ii) The increase in payroll is due to the hiring of a new CEO and other employees to help support the activity of the Company.
- (iii) Represents the value of stock options that vested during the period. The timing of this expense is subject to the date of issue and vesting term of the options. The values are derived using the Black Scholes option pricing model in which subjective assumptions are used.
- (iv) The increase in general and corporate is mainly attributable the additional costs of a public company (transfer agent, stock exchange fees, shareholder communication, etc.). In addition, there was a general increase in operating costs to support the growth of the business.
- (v) The decrease in professional fees was due to more fees in the comparative period related to listing on the Canadian Securities Exchange and the IPO process.

(vi) Concurrent with the IPO, the Company engaged an investor relations company to held educate investors and the public on the Company's marketplace platform.

### Summary of Quarterly Results

The following table sets out selected consolidated quarterly information for the most recent 8 fiscal quarters:

	<b>Quarter 2 ended June 30, 2017 \$</b>	<b>Quarter 3 ended September 30, 2017 \$</b>	<b>Quarter 4 ended December 31, 2017 \$</b>	<b>Quarter 1 ended March 31, 2018 \$</b>
Revenue	262	424	2,339	1,252
Earnings (Loss)	(121,269)	(89,017)	(179,924)	(204,965)
Net Loss per common share	(0.01)	(0.01)	(0.01)	(0.01)
Weighted average shares outstanding	14,141,500	14,141,500	14,141,500	15,956,500
	<b>Quarter 2 ended June 30, 2018 \$</b>	<b>Quarter 3 ended September 30, 2018 \$</b>	<b>Quarter 4 ended December 31, 2018 \$</b>	<b>Quarter 1 ended March 31, 2019 \$</b>
Revenue	272	1,603	462	2,631
Earnings (Loss)	(164,056)	(172,117)	(335,207)	(712,149)
Net Gain (Loss) per common share	(0.01)	(0.01)	(0.02)	(0.02)
Weighted average shares outstanding	15,956,500	16,064,463	18,005,189	40,668,913

The Company is in the startup phase of operations so most expenses in previous 8 quarters pertained to consulting fees and professional fees for services relating to the startup of the Company, the building of the product offering and for working towards listing on the CSE. Other notable expenses involved marketing as part of the process of building the product offering involves building an inventory of spaces through marketing to the public.

Overall operating loss in the most recent quarters has increased as the Company is focused on the process of listing its shares on the CSE and the Offering so that it can acquire sufficient capital to continue building its operations, enhance its offering and begin to market its platform to Creatives.

## Liquidity and Capital Resources

During the three months ended March 31, 2019 the Company's operating activities required \$1,039,936 in cash compared to \$275,978 for 2017. The Company's cash as at March 31, 2019 was \$1,513,759 (December 31, 2018 - \$1,207,995) and the Company had working capital of \$1,560,035 (December 31, 2018 – working capital deficit of \$858,367). The main reasons for the increase in cash used in operating activities were an increase in loss, and the change in non-cash working capital items, as follows:

	2019	2018
<b>Cash flows from operations</b>		
Net loss for the year	\$ (712,518)	\$ (204,965)
Items not affecting cash:		
Stock option expense	67,901	539
Amortization of intangible assets	125	4,279
Depreciation of property and equipment	460	94
Finance costs on related party loan	3,988	7,197
<b>Changes in non-cash working capital</b>		
Accounts receivable	(27,638)	(1,983)
Prepaid expenses	(95,760)	(45,385)
Accounts payable and accrued liabilities	(276,494)	(35,754)
	<b>(1,039,936)</b>	<b>(275,978)</b>

Total cash outflow from investing activities was \$354,506 and comprised of \$38,110 spent developing the Company's marketplace website, \$7,289 on the purchase of equipment, and \$309,107 of cash used from the Company trust account.

The total cash generated from the financing activities for the period was \$1,391,099. \$1,275,160 in net proceeds from the issuance of common shares and warrants and \$120,939 in proceeds from the exercise of warrants. These proceeds were offset by the loan repayments of \$5,000.

## Off-Balance Sheet Arrangements

As of the date of this Prospectus, there are no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company including, without limitation, such considerations as liquidity and capital resources.

## Related Party Transactions

	March 31, 2019	December 31, 2018
Loan from related parties		
Due to SB2 Group Inc.	\$ 130,996	\$ 132,008
Due to Scharfe Holdings	3,317	3,317
Due to Brad Scharfe	4,845	4,845
Loan from related parties	\$ 139,158	\$ 140,170

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 three months ended March 31, 2019, the Company was charged \$nil (three months ended March 31, 2018 - \$7,500) in rent by SB2 Group Inc (the Company ceased renting office space from SB2 in June 2018). These transactions are measured at the amount of consideration established and agreed to by the parties. At March 31, 2018 \$nil (December 31, 2018 - \$10,000) owing to SB2 Group Inc. was included in accounts payable and accrued liabilities.

On November 24, 2017, the Company issued a \$25,000 promissory note to Scharfe Holdings. Scharfe Holdings is owned by a former director 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 March 31, 2019, the amount owing includes accrued interest of \$3,317 (December 31, 2018 - \$3,317).

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 March 31, 2019, the amount owing includes accrued interest of \$4,845 (December 31, 2018 - \$4,845).

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 March 31, 2019, the Company's key management personnel consist of its directors and senior management (Chief Executive Officer, Chief Financial Officer, Vice Presidents 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 months ended March 31:

Nature of Transactions	2019		2018	
Management fees and salaries <sup>(1)</sup>	\$	<b>163,324</b>	\$	78,000
Stock based compensation <sup>(2)</sup>		<b>58,764</b>		539
	\$	<b>222,088</b>	\$	78,539

The terms and conditions of transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

<sup>(1)</sup> Includes \$57,671 paid to Russ Patterson the Chief Executive Officer, \$25,564 (2018 - \$24,000) paid to Judeh Siwady, the Chief Marketing Officer and a director of the Company; \$23,965 (2018 - \$22,500) paid to Alyas Ali, the Secretary of the Company; \$22,465 (2018 - \$22,500) paid to Moya Semaan, the former Vice-President, and \$9,000 (2018 - \$1,500) charged by CFO Advantage, a Company owned by the Chief Financial Officer.

<sup>(2)</sup> Includes the fair value of options granted as compensation to key management personnel.

### **Critical Accounting Estimates**

The Company's financial statements are impacted by the accounting policies used, and the estimates and assumptions made by management during their preparation. The Company's accounting policies are described in Note 3 to the Audited Financial Statements for the year ended December 31, 2018 and are considered to be significant to the Company.

### **Financial Instruments and Risk Management**

The Company's objective is to have sufficient working capital to maintain financial flexibility and to sustain the future development of the Company. In order to maintain financial flexibility, the Company may from time to time issue shares and adjust its capital spending to manage current and projected cash requirements. To assess its financial strength, the Company continually monitors its cash balances and working capital. In the management of capital, the Company includes the components of shareholder's equity as well as cash and cash equivalents.

There were no changes to the Company's approach to capital management during the three months ended March 31, 2019.

The Company's financial instruments consist of cash, amounts receivable, prepaid expenses, accounts payable, and loans from related parties. The fair values of these financial instruments approximate their carrying values due to the short-term nature of the instruments or their cash value.

The Company may be exposed to a variety of financial risks by virtue of its activities including currency, credit, interest rate, and liquidity.

(a) 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.

(b) 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.

(c) 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.

### **Adoption of New Accounting Standards**

(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 consolidated 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 Treatments (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 there was no impact on the application of IFRIC 23 on its financial statements.

**Disclosure of Outstanding Security Data**

As at the date of this report the Company had 45,294,806 common shares issued and outstanding.

As at the date of this report the Company had 23,791,565 share purchase warrants outstanding.

As at the date of this report the Company 2,338,826 stock options outstanding.

**Risks**

*See risk section detailed in the Company's filing statement as filed on SEDAR on November 29, 2018.*