

# **SPACEFY INC.**

Condensed Interim Financial Statements (unaudited)  
For the three months ended March 31, 2019

(Expressed in Canadian Dollars)

# SPACEFY INC.

Condensed Interim Statements of Financial Position (unaudited)  
(Expressed in Canadian Dollars)

	Notes	As at March 31, 2019	As at December 31, 2018
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		\$ 96,717	\$ 100,060
Cash held in trust		1,417,042	1,107,935
Accounts receivable	4	98,079	70,441
Prepaid expenses	5	196,481	100,721
Total current assets		1,808,319	1,379,157
<b>Non-current assets</b>			
Property and equipment	6	7,514	685
Intangible assets	7	82,597	44,612
Total non-current assets		90,111	45,297
<b>Total Assets</b>		<b>\$ 1,898,430</b>	<b>\$ 1,424,454</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		\$ 194,354	\$ 470,848
Current portion of loans from related parties	8	53,930	49,942
Total current liabilities		248,284	520,790
<b>Non-current liabilities</b>			
Loans from related parties	8	85,228	90,228
Total liabilities		333,512	611,018
<b>Shareholders' equity</b>			
Share capital	10	3,314,788	2,280,015
Warrants	10	909,956	548,630
Contributed surplus		678,766	610,865
Deficit		(3,338,592)	(2,626,074)
<b>Total Liabilities and Shareholders' Equity</b>		<b>\$ 1,898,430</b>	<b>\$ 1,424,454</b>

See accompanying notes to the condensed interim financial statements

Approved on behalf of the Board of Directors:

"Michael Bradley"  
Director

"John Anderson"  
Director

# SPACEFY INC.

Condensed Interim Statements of Comprehensive Loss (unaudited)  
For the three months ended March 31, 2019 and March 31, 2018  
(Expressed in Canadian Dollars)

	Notes	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		291,235	14,414
Salaries and benefits		203,440	73,437
Stock option expense	10	67,901	539
General and administrative		49,846	12,100
Professional fees		43,874	83,208
Consulting		38,000	10,000
Investor relations		15,808	-
Finance costs	8	4,460	7,350
Research and development		-	794
Depreciation of property and equipment	6	460	95
Amortization of intangible assets	7	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>
<b>Loss per share</b>			
Basic	11	\$ (0.02)	\$ (0.01)
Diluted	11	\$ (0.02)	\$ (0.01)

See accompanying notes to the condensed interim financial statements

## SPACEFY INC.

Condensed Interim Statements of Changes in Equity (Deficiency) (unaudited)  
For the three months ended March 31, 2019 and March 31, 2018  
(Expressed in Canadian Dollars)

	Share Capital Common Shares (Note 10) \$	Share Capital - Preferred Shares (Note 10) \$	Preferred Share Subscription Receivable	Warrants \$	Contributed Surplus \$	Deficit \$	Total \$
<b>Balance at December 31, 2017</b>	<b>920,712</b>	<b>5,000</b>	-	-	-	<b>(1,749,729)</b>	<b>(243,147)</b>
Share based compensation	-	-	-	-	539	-	539
Loan from related party	-	-	-	-	23,918	-	23,918
Shares issued on private placement	-	390,000	(50,000)	-	-	-	340,000
Share issuance costs	-	(6,965)	-	-	-	-	(6,965)
Net loss for the year	-	-	-	-	-	(204,965)	(204,965)
<b>Balance at March 31, 2018</b>	<b>920,712</b>	<b>388,035</b>	<b>(50,000)</b>	<b>28,535</b>	<b>576,792</b>	<b>(1,954,694)</b>	<b>(90,620)</b>
<b>Balance December 31, 2018</b>	<b>2,280,015</b>	-	-	<b>548,630</b>	<b>610,865</b>	<b>(2,626,074)</b>	<b>813,436</b>
Stock option expense	-	-	-	-	67,901	-	67,901
Exercise of warrants	177,283	-	-	(56,345)	-	-	120,938
Shares issued on private placement	1,414,400	-	-	-	-	-	1,414,400
Valuation of warrants	(378,210)	-	-	378,210	-	-	-
Share issuance costs	(139,239)	-	-	-	-	-	(139,239)
Broker warrants	(39,461)	-	-	39,461	-	-	-
Net loss for the year	-	-	-	-	-	(712,518)	(712,518)
<b>Balance at March 31, 2019</b>	<b>3,314,788</b>	-	-	<b>909,956</b>	<b>678,766</b>	<b>(3,338,592)</b>	<b>1,564,918</b>

See accompanying notes to the condensed interim financial statements

# SPACEFY INC.

Condensed Interim Statement of Cash Flows (unaudited)

For the three months ended March 31, 2019 and March 31, 2018

(Expressed in Canadian Dollars)

	2019	2018
<b>Cash flows from operations</b>		
Net loss for the period	\$ (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 (Note 8)	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>
<b>Cash flows from investing activities</b>		
Cash held in trust	(309,107)	(52,300)
Additions to equipment	(7,289)	-
Additions to intangible assets	(38,110)	-
	<b>(354,506)</b>	<b>(52,300)</b>
<b>Cash flows from financing activities</b>		
Issuance of common shares for cash, net of costs	1,275,160	-
Proceeds from the exercise of warrants	120,939	333,035
Loan repayments	(5,000)	-
	<b>1,391,099</b>	<b>333,035</b>
Net change in cash	<b>(3,343)</b>	<b>(4,757)</b>
Cash – beginning of period	<b>100,060</b>	<b>4,675</b>
Cash – end of period	<b>\$ 96,717</b>	<b>\$ 9,432</b>

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

See accompanying notes to the condensed interim financial statements

# SPACEFY INC.

Notes to Financial Statements (unaudited) for the three months ended March 31, 2019  
(Expressed in Canadian Dollars)

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## 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, 3<sup>rd</sup> floor, Toronto, Ontario.

The financial statements were authorized for issue on May 29, 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 \$3,338,592. 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 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, 2018 and 2017.

# SPACEFY INC.

Notes to Financial Statements (unaudited) for the three months ended March 31, 2019  
(Expressed in Canadian Dollars)

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## 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 in the 2018 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. 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.

# SPACEFY INC.

Notes to Financial Statements (unaudited) for the three months ended March 31, 2019  
(Expressed in Canadian Dollars)

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## 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, 2018 and 2017, and accordingly, should be read in conjunction with the 2018 Audited Financial Statements and the notes thereto.

### 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, there was no impact on adopting this standard on the financial statements.

(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.

## 4. ACCOUNTS RECEIVABLE

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	March 31, 2019	December 31, 2018
Sales Tax Receivable	\$ 98,079	\$ 70,441

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## 5. PREPAID EXPENSES

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

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	March 31, 2019	December 31, 2018
Bullvestor Medien	\$ 50,000	\$ 50,000
Loud Media and Awareness	50,000	50,000
Market One Media Group	90,000	-
Other	6,481	721
	\$ 196,481	\$ 100,721

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# SPACEFY INC.

Notes to Financial Statements (unaudited) for the three months ended March 31, 2019  
(Expressed in Canadian Dollars)

## 6. PROPERTY AND EQUIPMENT

	March 31, 2019	December 31, 2018
<b>COST</b>		
Balance at January 1	\$ 1,903	\$ 1,903
Additions	7,289	-
Balance at December 31	\$ 9,192	\$ 1,903
<b>ACCUMULATED DEPRECIATION</b>		
Balance at January 1	\$ 1,218	\$ 837
Depreciation	460	381
Balance at December 31	\$ 1,678	\$ 1,218
<b>NET BOOK VALUE AT DECEMBER 31</b>	<b>\$ 7,514</b>	<b>\$ 685</b>

## 7. INTANGIBLE ASSETS

	Domain name	Listing of Locations	Non-Compete Agreement	Website	Trademark	Total
<b>COST</b>						
Balance at January 1, 2018	\$ 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
Additions	-	-	-	38,110	-	38,110
<b>Balance at March 31, 2019</b>	<b>\$ 33,610</b>	<b>\$ 4,993</b>	<b>\$ 614</b>	<b>\$ 87,350</b>	<b>\$ 7,634</b>	<b>\$134,201</b>
<b>ACCUMULATED AMORTIZATION</b>						
Balance at January 1, 2018	\$ -	\$ 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
Amortization	-	125	-	-	-	125
<b>Balance at March 31, 2019</b>	<b>\$ -</b>	<b>\$ 1,750</b>	<b>\$ 614</b>	<b>\$ 49,240</b>	<b>\$ -</b>	<b>\$ 51,604</b>
<b>NET BOOK VALUE</b>						
At December 31, 2018	\$ 33,610	\$ 3,368	\$ -	\$ -	\$ 7,634	\$ 44,612
<b>At March 31, 2019</b>	<b>\$ 33,610</b>	<b>\$ 3,243</b>	<b>\$ -</b>	<b>\$ 38,110</b>	<b>\$ 7,634</b>	<b>\$ 82,597</b>

# SPACEFY INC.

Notes to Financial Statements (unaudited) for the three months ended March 31, 2019  
(Expressed in Canadian Dollars)

## 8. 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. 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).

# SPACEFY INC.

Notes to Financial Statements (unaudited) for the three months ended March 31, 2019  
(Expressed in Canadian Dollars)

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## 8. RELATED PARTY TRANSACTIONS (continued)

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	\$	163,324	\$	78,000
Stock based compensation		58,764		539
	\$	222,088	\$	78,539

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## 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.

# SPACEFY INC.

Notes to Financial Statements (unaudited) for the three months ended March 31, 2019  
(Expressed in Canadian Dollars)

## 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
<b>As at December 31, 2017</b>	<b>15,956,500</b>	<b>\$ 920,712</b>
Shares issued for services (ii)	183,333	27,500
Conversion of preferred shares to common (i)	7,900,000	384,535
Issuance of shares under IPO (ii)	13,350,000	2,002,500
Valuation of warrants (ii)	-	(462,115)
Share issue costs - warrants (ii)	-	(84,105)
Share issue costs - cash (ii)	-	(485,518)
Share issue costs - shares (ii)	-	(27,500)
Shares issued to settle debt (note 8)	26,712	4,006
<b>As at December 31, 2018</b>	<b>37,416,545</b>	<b>\$ 2,280,515</b>
Shares issued on exercise of warrants (iii)	806,261	177,284
Shares issued under private placement (iv)	7,072,000	1,424,400
Valuation of warrants (iv)	-	(378,210)
Share issue costs – warrants (iv)	-	(39,462)
Shares issue costs – cash (iv)	-	(139,240)
<b>As at March 31, 2019</b>	<b>45,294,806</b>	<b>3,314,788</b>

i. 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.

- ii. 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.

# SPACEFY INC.

Notes to Financial Statements (unaudited) for the three months ended March 31, 2019  
(Expressed in Canadian Dollars)

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## 10. SHARE CAPITAL (continued)

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.

- iii. During the three months ended March 31, 2019, 806,261 warrants were exercised for proceeds of \$120,939. The warrants had a value of \$56,345.
- iv. On March 2 the Company completed a private placement of 7,072,000 units of the Company (each a “Unit”) at a price of \$0.20 per Unit for gross proceeds of \$1,414,400. Each Unit is 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. The Warrants were valued at \$378,210 using the Black Scholes model with the following assumptions: annualized volatility 100%, risk-free interest rate 1.77%, dividend yield 0%, and expected life of 2 years. The Company also issued a total of 424,320 agent’s compensation warrants, each exercisable at \$0.20 into a Unit, and paid commissions of \$84,564. The agent’s compensation warrants were valued at \$39,462 using the Black Scholes model with the following assumptions: annualized volatility 100%, risk-free interest rate 1.77%, dividend yield 0%, and expected life of 1.5 years. Volatility is estimated based on comparable public companies with similar business and risk profiles.

### 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.

# SPACEFY INC.

Notes to Financial Statements (unaudited) for the three months ended March 31, 2019  
(Expressed in Canadian Dollars)

## 10. SHARE CAPITAL (continued)

Details of stock option transactions are as follows:

	Number of options	Weighted average exercise price of options
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
Expired	(375,000)	0.25
Granted	1,695,000	0.15
Outstanding, March 31, 2019	2,168,802	\$ 0.14

The weighted average fair value of options granted for the three months ended March 31, 2019, is \$0.139 per option (2018: \$nil).

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:

	Three months ended March 31, 2019	Year ended December 31, 2018
Risk-free interest rate	1.77%	-
Volatility	176%	-
Share price	\$ 0.15	-
Exercise price	\$ 0.15	-
Dividend yield	-	-
Forfeiture rate	-	-
Weighted average expected life of options	4	-

The following table summarizes the information regarding stock options outstanding as at March 31, 2019:

Exercise price per share	Number outstanding	Weighted average life (years)	Number exercisable
0.07	348,802	1.46	317,968
0.07	50,000	1.46	45,313
0.25	75,000	1.13	75,000
0.15	1,695,000	3.78	61,667
	2,168,802	3.21	499,948

For the three months ended March 31, 2019, the Company recorded stock option expense of \$67,901 (2018: \$539).

# SPACEFY INC.

Notes to Financial Statements (unaudited) for the three months ended March 31, 2019  
(Expressed in Canadian Dollars)

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## 10. SHARE CAPITAL (continued)

### d) Warrants

The following table summarizes the information regarding warrants outstanding as at March 31, 2019:

	Number of shares	Amount
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
Exercised	(806,255)	(56,345)
Issued	7,496,320	417,671
As at March 31, 2019	23,791,565	\$ 909,956

## 11. LOSS PER SHARE

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

For the three months ended March 31,	2019	2018
Net loss used in:		
Basic loss per share	\$ (802,518)	\$ (206,965)
Diluted loss per share	\$ (802,518)	\$ (206,965)
Weighted average number of common shares as basis for:		
Basic and diluted loss per share	40,668,913	15,956,500
Loss per share:		
Basic and diluted	\$ (0.02)	\$ (0.01)

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.

# SPACEFY INC.

Notes to Financial Statements (unaudited) for the three months ended March 31, 2019  
(Expressed in Canadian Dollars)

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## 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 March 31, 2019:

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	Payment due by period			
	Less than one year	Between one and five years	More than five years	Total
Accounts payable and accrued liabilities	\$ 194,354	\$ -	\$ -	\$ 194,354
Loan from related parties	63,557	95,000	-	158,557
	<b>\$ 257,911</b>	<b>\$ 95,000</b>	<b>\$ -</b>	<b>\$ 352,911</b>

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#### As at December 31, 2018:

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	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
	<b>\$ 534,405</b>	<b>\$ 100,000</b>	<b>\$ -</b>	<b>\$ 634,405</b>

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# **SPACEFY INC.**

Notes to Financial Statements (unaudited) for the three months ended March 31, 2019  
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## **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. 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.

## **15. SUBSEQUENT EVENTS**

On May 2, 2019, the Company granted 170,024 stock options to employees of the Company exercisable at \$0.15 expiring 5 years from the date of grant.