

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### SPACEFY INC.

#### Management Discussion and Analysis

For the three months ended March 31, 2020

Dated: May 30, 2020

*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, 2020 and the comparable period ended March 31, 2019. The discussion should be read in conjunction with the unaudited condensed interim financial statements for the three months ended March 31, 2020 and March 31, 2019 and related notes thereto, and the audited annual financial statements for the years ended December 31, 2019 and 2018. 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 their 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 has migrated to a new custom platform. 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 (ie customers) 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.
- Spacefy Production Financing Services – develop Spacefy's capabilities and subcontractor relationships for helping productions with their arts grants and tax labour rebates. Selectively market solutions to potential customers.

#### **IMPACT OF COVID-19**

On March 11, the World Health Organization (WHO) declared the outbreak of coronavirus, known as COVID-19, to be a global pandemic. Since then, the outbreak has evolved rapidly with governments around the world taking swift action to slow the spread of COVID-19. As a result, Spacefy's operations have been negatively impacted as social distancing has made renting spaces problematic.

Given the challenges posed by COVID-19, the Company made changes to its personnel as described below.

Mr. Michael Bradley, Chairman of the Board, has been appointed by the Board as Interim President and Chief Executive Officer of the Company effective immediately as Russ Patterson has stepped away from his roles as CEO and board member. Judeh Siwady, a founder of the Company, shall leave his role as Chief Operating Officer & VP, Marketing of the Company, however, he will continue to provide advisory services to the Company as needed and shall remain on the Board of Directors. Given the challenges of the COVID-19 pandemic, and at the Board's direction, the Company has decided to dismiss all other staff positions and will outsource personnel as required.

The Company continues to pursue enhancements to its digital platform and will be pursuing synergistic acquisitions and partnerships to drive growth and revenue.

Management and the Board of Directors continue to be committed to the growth and development of Spacefy and will remain available for contact with its stakeholders during this unprecedented period of worldwide business closures and social distancing. The Company looks forward to coming out of this period positioned to support our community with space rentals for their productions, projects, classes, events and more.

## Results of Operations

As at March 31, 2020, the Company's current assets included a cash balance of \$85,152 (December 31, 2019 - \$240,119), accounts receivables consisting of HST receivable in the amount of \$102,568 (December 31, 2019 - \$95,715, received April, 2020), and prepaid expenses of \$14,069 (December 31, 2019 - \$34,770). Long term assets included \$5,675 (December 31, 2019 - \$6,134) of equipment and \$147,431 (December 31, 2019 - \$161,435) of intangible assets. The decrease in intangible assets is the result of the commencement of amortization on the website development costs.

Current liabilities at December 31, 2019 totaled \$346,450 (December 31, 2019 - \$262,641) and included \$231,693 (December 31, 2019 - \$151,252) of accounts payable and accrued liabilities, and the current portion of a related party loan of \$114,757 (December 31, 2019 - \$111,389).

## 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.

Statement of loss for the three months ended March 31, 2020 and March 31, 2019:

	Notes	2020	2019
<b>REVENUE</b>			
Commission revenue		\$ 2,733	\$ 2,631
<b>EXPENSES</b>			
Advertising and marketing	(i)	4,189	291,235
Amortization and depreciation	(ii)	14,464	585
Consulting		21,330	38,000
General and administrative	(iii)	14,700	49,846
Investor relations	(iv)	25,667	15,808
Interest expense		3,732	4,460
Personnel	(v)	166,080	203,440
Professional fees	(vi)	16,685	43,874
Regulatory		2,973	-
Stock based compensation	(vii)	5,000	67,901
		<b>274,820</b>	<b>715,149</b>
<b>Net loss and comprehensive loss</b>		<b>\$ (272,087)</b>	<b>\$ (712,518)</b>

- (i) Advertising and marketing expenses decreased, as in Q1 2019, the Company initiated various marketing campaigns both in Canada and abroad. These campaigns were not active in Q1 2020.
- (ii) The increase in amortization was the result of commencing amortizing on the website development costs (\$13,880 in 2020, \$nil in 2019).
- (iii) General and corporate decreased due to the decrease in the level activity of the Company.
- (iv) This expense includes some 2019 investor relation programs that had been prepaid. There was a general decrease in IR expenses entered into in 2020 compared to 2019.
- (v) The decrease in payroll is due to some bonuses being paid out in Q1 2019, as well as some reduction in salaries in 2020 compared to Q1 2019. Payroll in Q1 2020 included termination pay, as noted earlier the Company made various personnel changes due to COVID-19.
- (vi) Professional fees consist of legal and audit fees.
- (vii) 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.

### 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, 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 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
	<b>Quarter 2 ended June 30, 2019 \$</b>	<b>Quarter 3 ended September 30, 2019 \$</b>	<b>Quarter 4 ended December 31, 2019 \$</b>	<b>Quarter 1 ended March 31, 2020 \$</b>
Revenue	1,338	2,006	(1,116)	(2,733)
Earnings (Loss)	(488,877)	(485,901)	(466,860)	(272,087)
Net Gain (Loss) per common share	(0.01)	(0.01)	(0.01)	(0.00)
Weighted average shares outstanding	43,066,608	45,294,806	45,294,806	45,294,806

The Company is in the startup phase of operations so most expenses in previous 8 quarters pertained to personnel, consulting fees and professional fees for services relating to the startup of the Company, the building of the product offering and in 2018, 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.

### Liquidity and Capital Resources

During Q1 2020 the Company's operating activities required \$154,967 in cash compared to \$1,039,936 for Q1 2019. The Company's cash as at March 31, 2020 was \$85,152 (December 31, 2019 - \$240,119) and the Company had working capital (deficit) of \$(144,661) (December 31, 2019 - working capital of \$107,963). The main reasons for the decrease in cash used in operating activities were a decrease in loss resulting from a decrease in business development activity, and the change in non-cash working capital items.

Total cashflow from investing activities was \$nil compared to \$45,399 for the three months ended March 31, 2019 (comprising of \$38,110 spent developing the Company's marketplace website and \$7,289 on the purchase of equipment).

There was no cash from or used in financing activities during the three months ended March 31, 2020. The total cash generated from the financing activities for the three months ended March 31, 2019 was \$1,391,099 consisting of \$1,275,160 in net proceeds from the issuance of common shares and warrants and \$120,939 in proceeds from the exercise of warrants and options. These proceeds were offset by the loan repayments of \$5,000.

At this time, the Company is not anticipating an ongoing profit from operations, therefore it will rely on its ability to obtain equity or debt financing for growth. The ability of the Company to continue operations over the course of the next 12 months is dependent upon obtaining additional financing. The Company will seek to raise additional funding to finance operations. The timing and ability to do so will depend on the liquidity of the financial markets as well as the acceptance of investors to finance small cap companies. There can be no guarantee that the Company will be able to secure any required financing.

The Company's monthly burn rate on average during Q1 2020, which was calculated as cash spent per month in operating activities, was approximately \$51,000. Subsequent to Q1, and related to the impact of COVID-19, this has been reduced to approximately \$10,000 as the majority of personnel have been dismissed (see earlier re COVID-19). At its current operating level, the Company will not have sufficient funds generated from ongoing operations to cover short-term and long-term operational needs. The Company expects to still operate at a loss for at minimum the next 12 months. As such, the Company will need additional financing for costs related to operations, technology development and growth strategy. The Company is currently addressing its liquidity concerns by proactively planning future financings through the sale of debt and (or) equity. The Company has been successful in the past at raising necessary funds but the timing and ability to do so will depend on the liquidity of the financial markets, economic conditions, as well as the acceptance of investors to small cap companies. There can be no guarantee that the Company will be able to secure any required financing.

The primary need for liquidity is to fund working capital requirements of the business, including operating costs, and maintaining the Company's marketplace platform. The primary source of liquidity has primarily been private financings and, to a lesser extent, by cash generated from the exercise of warrants.

The Company has been able to address short term liquidity concerns by reducing discretionary expenditures, defer payments to management and other consultants.

### Off-Balance Sheet Arrangements

As of the date of this report, 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

	SB2 Group Inc.	Scharfe Holdings	Brad Scharfe	Total
Balance December 31, 2018	132,008	\$ 3,317	\$ 4,845	\$ 140,170
Repayments	(35,000)	-	-	(35,000)
Interest and accretion	14,381	-	-	14,381
Balance December 31, 2019	\$ 111,389	\$ 3,317	\$ 4,845	\$ 119,551
Interest and accretion	3,368	-	-	3,368
Balance December 31, 2019	\$ 114,757	\$ 3,317	\$ 4,845	\$ 122,919
Short term	114,757	\$ 3,317	\$ 4,845	\$ 122,919
Long term	-	-	-	-
	\$ 114,757	\$ 3,317	\$ 4,845	\$ 122,919

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, an amendment was made to have payments commence in March 2019. On November 1, 2019, an amendment was made to pause the loan repayments. As per the amendment, the payments will resume upon the earlier of, a) the Company completing a financing of aggregate net proceeds of \$500,000 or greater, or b) achieving revenues of \$250,000 or greater, or c) upon mutual agreement between the parties, or d) one calendar year (November 1st, 2020). These amendments were accounted for as modifications of the initial loan and as such any adjustments were reflected through the statement of comprehensive loss. 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% 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 has been repaid. The remaining balance of \$5,395 is non-interest bearing, unsecured, and has no specific terms of repayment.

On November 24, 2017, the Company issued a \$25,000 promissory note to Scharfe Holdings. Scharfe Holdings is owned by a former 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 March 31, 2020, the amount owing includes accrued interest of \$3,317 (2019 - \$3,317). The balance at March 31, 2020 and December 31, 2019 is included in accounts payable and accrued liabilities.

On October 4, 2017, the Company issued a \$35,000 promissory note to Brad Scharfe, a former 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, 2020, the amount owing includes accrued interest of \$4,845 (2019 - \$4,845). The balance at March 31, 2020 and December 31, 2019 is included in accounts payable and accrued liabilities.

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, 2020, the Company’s key management personnel consist of its directors and senior management (Chief Executive Officer, Chief Financial and VPs). 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, 2020 and March 31, 2019:

Nature of Transactions	2020	2019
Management fees and salaries	\$ 89,982	\$ 163,324
Stock based compensation	5,000	58,764
	\$ 94,982	\$ 222,088

As at March 31, 2020, the Company had accounts payable of \$63,511 (December 31, 2019 - \$13,560) due for management fees and salaries.

### **Critical Accounting 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.

#### 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.

#### 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.

#### Determination of fair values using option pricing models

The Company measures the cost of equity-settled transactions consisting of stock option expense 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.

#### 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.

### **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 2020.

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.

**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.

**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.

**Disclosure of Outstanding Security Data**

As at the date of this report the Company had 45,458,608 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 2,175,024 stock options outstanding.

**Risks**

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