

SPACEFY INC.

Unaudited Condensed Interim Financial Statements
For the three months ended March 31, 2020

(Expressed in Canadian Dollars)

Management's Comments on Unaudited Condensed Interim Financial Statements

The accompanying Unaudited Condensed Interim Financial Statements for the three months ended March 31, 2020 and 2019 have been prepared by management, reviewed by the Audit Committee and approved by the Board of Directors of the Company.

In accordance with National Instrument 51-102, Continuous Disclosure Obligations of the Canadian Securities Administrators, the Company herewith discloses that the accompanying unaudited Condensed Interim Financial Statements have not been reviewed by an auditor.

SPACEFY INC.

Unaudited Condensed Interim Statements of Financial Position

As at March 31, 2020 and December 31, 2019

(Expressed in Canadian Dollars)

	Notes	March 31, 2020	December 31, 2019
ASSETS			
Current assets			
Cash and cash equivalents		\$ 85,152	\$ 240,119
Accounts receivable	4	102,568	95,715
Prepaid expenses	5	14,069	34,770
Total current assets		201,789	370,604
Non-current assets			
Property and equipment	6	5,675	6,134
Intangible assets	7	147,431	161,435
Total non-current assets		153,106	167,569
Total Assets		\$ 354,895	\$ 538,173
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		\$ 231,693	\$ 151,252
Current portion of loans from related parties	8	114,757	111,389
Total liabilities		346,450	262,641
Shareholders' equity			
Share capital	10	3,140,982	3,140,982
Warrants	10	1,076,752	1,076,752
Contributed surplus		842,659	837,659
Deficit		(5,051,948)	(4,779,861)
		8,445	275,532
Total Liabilities and Shareholders' Equity		\$ 354,895	\$ 538,173

Going concern (Note 1)

Commitments and contingencies (Note 9)

Subsequent events (Note 14)

See accompanying notes to the financial statements

Approved on behalf of the Board of Directors:

"Michael Bradley"

Director

"John Anderson"

Director

SPACEFY INC.

Unaudited Condensed Interim Statements of Comprehensive Loss
For the three months ended March 31, 2020 and March 31, 2019
(Expressed in Canadian Dollars)

	Notes	2020	2019
REVENUE			
Commission revenue		\$ 2,733	\$ 2,631
EXPENSES			
Advertising and marketing		4,189	291,235
Amortization and depreciation	6,7	14,464	585
Consulting		21,330	38,000
General and administrative		14,700	49,846
Investor relations		25,667	15,808
Interest expense		3,732	4,460
Personnel	8	166,080	203,440
Professional fees		16,685	43,874
Regulatory		2,973	-
Stock based compensation	10	5,000	67,901
		274,820	715,149
Net loss and comprehensive loss		\$ (272,087)	\$ (712,518)
Loss per share			
Basic	11	\$ (0.01)	\$ (0.02)
Diluted	11	\$ (0.01)	\$ (0.02)

See accompanying notes to the financial statements

SPACEFY INC.

Unaudited Condensed Interim Statements of Changes in Equity
For the three months ended March 31, 2020 and March 31, 2019
(Expressed in Canadian Dollars)

	Share Capital Common Shares (Note 10)	Warrants	Contributed Surplus	Deficit	Total
	\$	\$	\$	\$	\$
Balance at December 31, 2018	2,280,015	548,630	610,865	(2,626,074)	813,436
Stock based compensation	-	-	67,901	-	67,901
Exercise of warrants	177,283	(56,345)	-	-	120,938
Share 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 period	-	-	-	(712,518)	(712,518)
Balance at March 31, 2019	3,314,788	909,956	678,766	(3,338,592)	1,564,918
Balance at December 31, 2019	3,140,982	1,076,752	837,659	(4,779,861)	275,532
Stock based compensation	-	-	5,000	-	5,000
Net loss for the period	-	-	-	(272,087)	(272,087)
Balance at March 31, 2020	3,140,982	1,076,752	842,659	(5,051,948)	8,445

See accompanying notes to the financial statements

SPACEFY INC.

Unaudited Condensed Interim Statements of Cash Flows
For the three months ended March 31, 2020 and March 31, 2019
(Expressed in Canadian Dollars)

	2020	2019
Cash flows used in operations		
Net loss for the period	\$ (272,087)	\$ (712,518)
Items not affecting cash:		
Stock based compensation (Note 10)	5,000	67,901
Amortization of intangible assets (Note 7)	14,004	125
Depreciation of property and equipment (Note 6)	459	460
Finance costs on related party loan (Note 8)	3,368	3,988
Changes in non-cash working capital		
Accounts receivable	(6,853)	(27,638)
Prepaid expenses	20,701	(95,760)
Accounts payable and accrued liabilities	80,441	(276,494)
	(154,967)	(1,039,936)
Cash flows used in investing activities		
Additions to equipment (Note 6)	-	(7,289)
Additions to intangible assets (Note 7)	-	(38,110)
	-	(45,399)
Cash flows from financing activities		
Issuance of common shares for cash, net of costs (Note 10)	-	1,275,160
Proceeds from the exercise of warrants and options (Note 10)	-	120,939
Loan repayments (Note 8)	-	(5,000)
	-	1,391,099
Net change in cash and cash equivalents	(154,967)	305,764
Cash and cash equivalents – beginning of period	240,119	1,207,995
Cash and cash equivalents – end of period	\$ 85,152	\$ 1,513,759

Non-Cash Investing and Financing Transactions (Notes 10) (no non-cash transaction in Q1 2020 and Q1 2019)

See accompanying notes to the financial statements

SPACEFY INC.

Notes to Unaudited Condensed Interim Financial Statements
For the three months ended March 31, 2020 and March 31, 2019
(Expressed in Canadian Dollars)

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 May 30, 2020 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 incurred a net loss of \$272,087 during the three months ended March 31, 2020 and, as of that date, has an accumulated deficit of \$5,051,948. 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. The Company will periodically have to raise funds to continue operations and, although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future.

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 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, 2019 and 2018.

SPACEFY INC.

Notes to Unaudited Condensed Interim Financial Statements
For the three months ended March 31, 2020
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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 3c in the 2019 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 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.

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

These Condensed Interim Financial Statements reflect the accounting policies described in Note 3 to the Company's Audited Financial Statements for the years ended December 31, 2019 and 2018, and accordingly, should be read in conjunction with the 2019 Audited Financial Statements and the notes thereto.

SPACEFY INC.

Notes to Unaudited Condensed Interim Financial Statements
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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 are not expected to have a material impact on the Company.

4. ACCOUNTS RECEIVABLE

	March 31, 2020	December 31, 2019
Sales Tax Receivable	\$ 102,568	\$ 95,715
	\$ 102,568	\$ 95,715

5. PREPAID EXPENSES

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

	March 31, 2020	December 31, 2019
Marketing services	\$ -	\$ 16,667
OTC annual fee	8,069	12,103
Rental deposit	6,000	6,000
	\$ 14,069	\$ 34,770

SPACEFY INC.

Notes to Unaudited Condensed Interim Financial Statements
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6. PROPERTY AND EQUIPMENT

	March 31, 2020	December 31, 2019
COST		
Balance at beginning of period	\$ 9,190	\$ 1,903
Additions	-	7,287
Balance at end of period	\$ 9,190	\$ 9,190
ACCUMULATED DEPRECIATION		
Balance at beginning of period	\$ 3,056	\$ 1,218
Depreciation	459	1,838
Balance at end of period	\$ 3,515	\$ 3,056
NET BOOK VALUE	\$ 5,675	\$ 6,134

7. INTANGIBLE ASSETS

	Domain name	Listing of Locations	Website	Trade-mark	Total
COST					
Balance at January 1, 2019	\$ 33,610	\$ 4,993	\$ 49,240	\$ 7,634	\$ 95,477
Additions	-	-	117,322	-	117,322
Balance at December 31, 2019	33,610	4,993	166,562	7,634	212,799
Additions	-	-	-	-	-
Balance at March 31, 2020	\$ 33,610	\$ 4,993	\$ 166,562	\$ 7,634	\$ 212,799
ACCUMULATED AMORTIZATION					
Balance at January 1, 2019	\$ -	\$ 1,625	\$ 49,240	\$ -	\$ 50,865
Amortization	-	499	-	-	499
Balance at December 31, 2019	-	2,124	49,240	-	51,364
Amortization	-	124	13,880	-	14,004
Balance at March 31, 2020	\$ -	\$ 2,248	\$ 49,240	\$ -	\$ 65,368
NET BOOK VALUE					
Balance at December 31, 2019	\$ 33,610	\$ 2,869	\$ 117,322	\$ 7,634	\$ 161,435
Balance at March 31, 2020	\$ 33,610	\$ 2,745	\$ 103,442	\$ 7,634	\$ 147,431

SPACEFY INC.

Notes to Unaudited Condensed Interim Financial Statements
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8. RELATED PARTY BALANCES AND TRANSACTIONS

	SB2 Group Inc.	Scharfe Holdings	Brad Scharfe	Total
Balance December 31, 2018	132,008	\$ 3,317	\$ 4,845	\$ 140,170
Advances	-	-	-	-
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 March 31, 2020	\$ 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.

SPACEFY INC.

Notes to Unaudited Condensed Interim Financial Statements
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8. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

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.

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 Unaudited Condensed Interim Financial Statements
For the three months ended March 31, 2020
(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
As at December 31, 2018	37,416,545	\$ 2,280,015
Shares issued on exercise of options and warrants (i)	970,063	192,844
Shares issued under private placement (ii)	7,072,000	1,414,400
Valuation of warrants (ii)	-	(518,184)
Share issue costs – warrants (ii)	-	(68,693)
Shares issue costs – cash (ii)	-	(159,400)
As at December 31, 2019 and March 31, 2020	45,458,608	3,140,982

- i. During the year ended December 31, 2019, 806,261 warrants were exercised for proceeds of \$120,938. The warrants had a value of \$56,345. During the year ended December 31, 2019, 163,802 options were exercised for proceeds of \$11,466. The options had a value of \$4,095.
- ii. On March 2, 2019 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 \$518,184 using the Black Scholes model with the following assumptions: annualized volatility 175%, 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 \$68,693 using the Black Scholes model with the following assumptions: annualized volatility 175%, risk-free interest rate 1.77%, dividend yield 0%, and expected life of 2 years. Volatility is estimated based on comparable public companies with similar business and risk profiles.

c) Stock Options

At its 2019 Annual and General Meeting, the Company re-approved its 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 Unaudited Condensed Interim Financial Statements
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(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, 2018	848,802	\$ 0.17
Expired	(375,000)	0.25
Exercised	(163,802)	0.07
Granted	1,865,024	0.15
Outstanding, December 31, 2019	2,175,024	\$ 0.15
Expired	90,000	0.15
Outstanding, March 31, 2020	2,085,024	\$ 0.15

The weighted average fair value of options granted in 2020, is \$n/a per option (2019: \$0.136).

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:

	2020	2019
Risk-free interest rate	-	1.77%
Volatility	-	176%
Share price	-	\$ 0.15
Exercise price	-	\$ 0.15
Dividend yield	-	0%
Forfeiture rate	-	0%
Weighted average expected life of options	-	4-5 years

The following table summarizes the information regarding stock options outstanding as at March 31, 2020:

Exercise price per share	Number outstanding	Weighted average life (years)	Number exercisable
0.07	185,000	0.21	185,000
0.07	50,000	0.21	50,000
0.15	1,680,000	2.78	700,000
0.15	95,000	3.78	25,700
0.15	75,024	4.04	17,193
	2,085,024	2.58	977,893

In Q1 2020, the Company recorded stock-based compensation of \$5,000 (Q1 2019: \$67,901).

SPACEFY INC.

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10. SHARE CAPITAL (continued)

d) Warrants

The following table summarizes the information regarding warrants outstanding as at March 31, 2020 and December 31, 2019:

	Number of warrants	Amount
As at December 31, 2018	17,101,500	548,630
Exercised	(806,261)	(56,345)
Expired	(50,000)	(2,410)
Issued	7,496,320	586,878
As at December 31, 2019 and March 31, 2020	23,791,559	\$ 1,076,753

e) Restricted share units

At its 2019 Annual and General Meeting, the Board approved the adoption by the Company of a new restricted share unit plan (the "New Plan"). Restricted share units ("RSU's") may be granted to directors, officers, employees and consultants under the New Plan. The New Plan increased the number of common shares reserved for issuance under from 900,000 common shares to 10% of the number of common shares outstanding from time to time. The Company has determined that the number of common shares reserved for issuance under the New Plan in combination with the aggregate number of common shares issuable under all of the Company's other equity incentive plans in existence from time to time, including the Stock Option Plan, shall not exceed 20% of the issued and outstanding common shares. The RSU's will be settled in common shares or cash at the option of the Company.

On April 25, 2019, the Company granted 900,000 RSU's to the CEO of the Company. 124,989 of the RSUs vested on grant and 41,667 of the remaining RSUs vest each on May 2, 2019 and on the 2nd day of each month until none remain unvested. As at March 31, 2020, 583,326 (December 31, 2019 - 458,325) RSUs have vested, and no shares have been issued. During the three months ended March 31, 2020, \$5,000 (three months ended March 31, 2019 - \$nil) was recognized as stock-based compensation related to the vesting of the RSUs.

The grant date fair value of the RSU equals the fair market value of the corresponding shares at the grant date. The fair value of these equity-settled awards is recognized as compensation expense with a corresponding increase in equity. The total amount expensed is recognized over the vesting period, which is the period over which all the specified vesting conditions should be satisfied.

The weighted average fair value of the RSUs vested during the three months ended March 31, 2020 was \$0.04 (three months ended March 31, 2019 - \$nil).

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11. LOSS PER SHARE

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

Three months ended March 31,	2020	2019
Net loss used in:		
Basic loss per share	\$ (272,087)	\$ (802,518)
Diluted loss per share	\$ (272,087)	\$ (802,518)
Weighted average number of common shares as basis for:		
Basic and diluted loss per share	45,458,608	40,668,913
Loss per share:		
Basic and diluted	\$ (0.01)	\$ (0.02)

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. 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.

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12. RISK MANAGEMENT (continued)

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

As at December 31, 2019:

	Payment due by period			Total
	Less than one year	Between one and five years	More than five years	
Accounts payable and accrued liabilities	\$ 151,252	\$ -	\$ -	\$ 151,252
Loans from related parties	111,389	-	-	111,389
	\$ 262,641	\$ -	\$ -	\$ 262,641

As at March 31, 2020:

	Payment due by period			Total
	Less than one year	Between one and five years	More than five years	
Accounts payable and accrued liabilities	\$ 231,693	\$ -	\$ -	\$ 231,693
Loans from related parties	114,757	-	-	114,757
	\$ 346,450	\$ -	\$ -	\$ 346,450

Fair Value Risk

Due to their short-term nature, the carrying value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and current portion of loans from related parties approximates their fair value.

13. 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.

SPACEFY INC.

Notes to Unaudited Condensed Interim Financial Statements

For the three months ended March 31, 2020

(Expressed in Canadian Dollars)

14. COVID-19 AND SUBSEQUENT EVENTS

Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as “COVID-19”, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and conditions of the Company in future periods.

Given the challenges posed by COVID-19, the Company has made changes to its personnel. The Chairman of the Board has been appointed as Interim President and Chief Executive Officer of the Company as the CEO has stepped away from his roles as CEO and board member. The Chief Operating Officer & VP of Marketing (a founder of the Company) has stepped away from these roles, but will continue to provide advisory services to the Company as needed and shall remain on the Board of Directors. The Company has dismissed 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.