

RESAAS SERVICES INC.

Consolidated Financial Statements

December 31, 2019

(Expressed in Canadian dollars)

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF RESAAS SERVICES INC.

Opinion

We have audited the consolidated financial statements of RESAAS Services Inc. (the "Company"), which comprise:

- the consolidated statements of financial position as at December 31, 2019;
- the consolidated statements of comprehensive loss for the year then ended;
- the consolidated statements of changes in shareholders' equity for the year then ended;
- the consolidated statements of cash flows for the year then ended; and
- the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2019, and its consolidated financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the consolidated financial statements, which indicates that the Company has not yet generated significant revenue or positive cash flow from operations, and as of December 31, 2019, had an accumulated deficit balance. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Matter

The consolidated financial statements of the Company as at and for the year ended December 31, 2018 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on April 29, 2019.

Other Information

Management is responsible for the other information. The other information comprises of Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ♦ Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ♦ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ♦ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ♦ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- ♦ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ♦ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditors' report is Sukhjot Gill.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 24, 2020

RESAAS SERVICES INC.

Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	December 31, 2019 \$	December 31, 2018 \$
Assets		
Current assets		
Cash and cash equivalents (Note 16)	353,142	1,133,966
Amounts receivable	307,762	168,965
Prepaid expenses	31,791	39,446
Deposits	34,060	–
Net investment in sublease	56,512	–
Total current assets	783,267	1,342,377
Non-current assets		
Right-of-use assets (Note 4)	131,800	–
Property and equipment (Note 5)	16,582	41,979
Intangible assets (Note 6)	538,346	718,102
Deposits	–	34,060
Total non-current assets	686,728	794,141
Total assets	1,469,995	2,136,518
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	434,476	585,585
Contract liabilities	66,732	29,937
Lease liabilities (Note 7)	177,280	–
Obligations under finance lease	–	11,087
Total current liabilities	678,488	626,609
Lease liabilities (Note 7)	16,988	–
Obligations under finance lease	–	5,800
Total liabilities	695,476	632,409
Shareholders' equity		
Common shares	33,760,841	32,009,034
Common shares subscribed	115,000	–
Share-based payment reserve	14,991,524	14,497,644
Deficit	(48,092,846)	(45,002,569)
Total shareholders' equity	774,519	1,504,109
Total liabilities and shareholders' equity	1,469,995	2,136,518

Going concern (Note 2(c))

Commitments and contingencies (Note 13)

Subsequent events (Note 16)

Approved and authorized for issuance by the Board of Directors on April 24, 2020:

/s/ Pierre Chadi

Pierre Chadi, Director

/s/ Thomas Rossiter

Thomas Rossiter, Director

(The accompanying notes are an integral part of these consolidated financial statements)

RESAAS SERVICES INC.

Consolidated Statements of Comprehensive Loss
(Expressed in Canadian dollars)

	Year Ended December 31, 2019 \$	Year Ended December 31, 2018 \$
Revenue	802,286	618,152
Expenses		
Amortization (Notes 5 and 6)	193,557	179,900
Amortization of right-of-use assets (Note 4)	136,526	–
Consulting fees	270,661	514,289
Filing fees	75,678	103,208
Foreign exchange loss (gain)	1,653	(7,841)
General and administrative	2,033,856	2,809,252
Management fees (Note 8)	602,706	794,121
Promotion and advertising	36,268	195,589
Professional fees	166,046	263,605
Stock-based compensation (Notes 8 and 11)	493,880	1,522,928
Travel	51,161	124,392
Total operating expenses	4,061,992	6,499,443
Loss before other income (loss)	(3,259,706)	(5,881,291)
Other income (loss)		
Other income	18,000	–
Gain on settlement of accounts payable (Notes 6 and 9)	170,452	26,379
Interest income	6,809	10,388
Interest on lease liabilities (Note 7)	(13,088)	–
Impairment of joint venture (Note 6)	(48,000)	–
Loss on disposal of assets	–	(599)
Net loss and comprehensive loss for the year	(3,125,533)	(5,845,123)
Basic and diluted loss per common share	(0.06)	(0.13)
Weighted average number of common shares outstanding	56,363,955	45,860,767

(The accompanying notes are an integral part of these consolidated financial statements)

RESAAS SERVICES INC.

Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian dollars)

	<u>Common Shares</u>		Share-based Payment Reserve	Common Shares Subscribed	Deficit	Total Shareholders' Equity
	Number	Amount \$	\$	\$	\$	\$
Balance, December 31, 2017	39,264,283	27,254,440	12,930,118	164,500	(39,157,446)	1,191,612
Issuance of common shares for cash	12,905,614	4,033,930	–	(164,500)	–	3,869,430
Share issuance costs	–	(211,226)	44,598	–	–	(166,628)
Purchase of Real-Block Inc. (Note 6)	1,102,938	716,910	–	–	–	716,910
Issuance of common shares to settle accrued liabilities at \$0.65 per share	330,738	214,980	–	–	–	214,980
Fair value of stock options granted	–	–	1,522,928	–	–	1,522,928
Net loss	–	–	–	–	(5,845,123)	(5,845,123)
Balance, December 31, 2018	53,603,573	32,009,034	14,497,644	–	(45,002,569)	1,504,109
Balance as previously reported, December 31, 2018	53,603,573	32,009,034	14,497,644	–	(45,002,569)	1,504,109
IFRS 16 transitional amount (Note 3)	–	–	–	–	35,256	35,256
Balance as adjusted, January 1, 2019	53,603,573	32,009,034	14,497,644	–	(44,967,313)	1,539,365
Issuance of common shares for cash	4,000,000	1,000,000	–	–	–	1,000,000
Share issuance costs	–	(28,050)	–	–	–	(28,050)
Issuance of common shares to settle accrued liabilities at \$0.25 per share	139,429	34,857	–	–	–	34,857
Issuance of common shares pursuant to the exercise of warrants at \$0.20 per share	3,725,000	745,000	–	–	–	745,000
Fair value of stock options granted	–	–	493,880	–	–	493,880
Common shares subscribed	–	–	–	115,000	–	115,000
Net loss	–	–	–	–	(3,125,533)	(3,125,533)
Balance, December 31, 2019	61,468,002	33,760,841	14,991,524	115,000	(48,092,846)	774,519

(The accompanying notes are an integral part of these consolidated financial statements)

RESAAS SERVICES INC.

Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

	Year Ended December 31, 2019 \$	Year Ended December 31, 2018 \$
Operating activities		
Net loss	(3,125,533)	(5,845,123)
Items not affecting cash:		
Amortization	193,557	179,900
Amortization of right-of-use assets	136,526	—
Stock-based compensation	493,880	1,522,928
Loss on disposal of assets	—	599
Impairment of joint venture	48,000	—
Gain on settlement of accounts payable	(170,452)	—
Changes in non-cash operating working capital:		
Amounts receivable	(138,797)	(67,954)
Prepaid expenses	7,655	12,130
Accounts payable and accrued liabilities	49,025	145,029
Contract liabilities	36,795	(21,077)
Net cash used in operating activities	(2,469,344)	(4,073,568)
Investing activities		
Purchase of property and equipment	—	(2,280)
Acquisition of intangible assets	—	(1,181)
Proceeds from sale of furniture	—	1,000
Acquisition of Real-Block Inc.	—	(102,181)
Investment in joint venture	(24,000)	—
Investment in sublease	65,290	—
Net cash provided by (used in) investing activities	41,290	(104,642)
Financing activities		
Obligations under finance lease	—	(11,657)
Proceeds from common shares issued, net of share issuance costs	971,950	3,752,866
Proceeds from common shares subscribed	115,000	—
Proceeds from exercise of warrants	745,000	—
Repayment of principal portion of the lease liability	(184,720)	—
Net cash provided by financing activities	1,647,230	3,741,209
Decrease in cash and cash equivalents	(780,824)	(437,001)
Cash and cash equivalents, beginning of the year	1,133,966	1,570,967
Cash and cash equivalents, end of the year	353,142	1,133,966
Cash and cash equivalents is comprised of:		
Amounts held in legal trust account	3,727	4,487
Cash in bank	305,415	1,047,639
Cashable guaranteed investment certificates	44,000	81,840
Total cash and cash equivalents	353,142	1,133,966
Non-cash investing and financing activities:		
Fixed assets acquired through finance leases	—	12,483
Common shares issued for acquisition of Real-Block Inc.	—	716,910
Common shares issued to settle accrued liabilities	34,857	214,980

(The accompanying notes are an integral part of these consolidated financial statements)

RESAAS SERVICES INC.

Notes to the Consolidated Financial Statements

December 31, 2019

(Expressed in Canadian dollars)

1. Corporate Information

RESAAS Services Inc. (the "Company") was incorporated on June 4, 2009 under the Business Corporations Act (British Columbia). The Company is engaged in the development of web and mobile communications software for the real estate industry. The Company's head office is located at Suite 1550 – 401 W. Georgia St., Vancouver, British Columbia, Canada, V6B 5A1.

2. Basis of Presentation

(a) Statement of Compliance and Principles of Consolidation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") on a going concern basis.

The consolidated financial statements were approved by the Board of Directors and authorized for issue on April 24, 2020.

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, RESAAS USA Inc., a company incorporated in the state of California in 2012, and The Real Estate Social Network Ltd., a company incorporated in the state of Delaware in 2013. All intercompany transactions have been eliminated on consolidation.

Effective January 1, 2019, the Company adopted IFRS 16 *Leases* ("IFRS 16"). IFRS 16 was adopted retrospectively with no restatement of comparative periods, as permitted by the transition provisions of the standard.

(b) Basis of Measurement

These consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments, and are presented in Canadian dollars, which is also the functional currency of the Company and its subsidiaries.

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the period. These estimates are, by their nature, uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the reporting date that could result in a material adjustment to the carrying amounts of assets and liabilities include the following:

i) The useful life and recoverability of long-lived assets:

Management estimates the useful life of Real-Block Inc. based on the period during which the assets are expected to be available for use. The amounts and timing of recorded expenses for depreciation are affected by these estimated useful lives. The estimates are reviewed at least annually and are updated if expectations change as a result of technical or commercial obsolescence, and legal or other limits to use. It is possible that changes in these factors may cause significant changes in the estimated useful lives of the Company's intangible assets in the future.

The assessment of impairment of intangible assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions, timing of cash flows, the useful lives of assets, and their related salvage values.

RESAAS SERVICES INC.

Notes to the Consolidated Financial Statements

December 31, 2019

(Expressed in Canadian dollars)

2. Basis of Presentation (continued)

(b) Basis of Measurement (continued)

ii) The inputs used in the valuation of stock-based compensation:

The fair value of stock options granted is measured using a Black-Scholes model. Measurement inputs include share price on measure date, exercise price of the option, expected volatility, actual and expected life of the option, expected dividends based on the dividend yield at the date of the grant, anticipated forfeiture rate, and the risk-free interest rate. The expected life of the options is based on historical experience and general option holder behavior. The Company also makes an estimate of the number of options that will be forfeited and the rate is adjusted to reflect the actual number of options that vest. Consequently, the actual stock-based compensation expense may vary from the amount estimated.

iii) Revenue recognition for special contracts and projects:

The Company has projects with multiple performance obligations that generally include subscriptions for software and services. Estimates are required to determine the status of a project at each period end. The Company's revenue recognition is described in Note 3(f).

iv) Incremental borrowing rate:

The Company uses estimation in determining the incremental borrowing rate used to measure the lease liabilities. This rate represents the rate that the Company would incur to obtain the funds necessary to purchase the asset of a similar value, with similar payment terms and security in similar economic environment.

v) Allowance for credit losses:

The Company provides for doubtful debts by analyzing the historical default experience and current information available about a customer's credit worthiness on an account by account basis. Uncertainty relates to the actual collectability of customer balances that can vary from the Company's estimation. At December 31, 2019, the Company has an allowance for doubtful accounts of \$Nil (2018 - \$Nil).

Significant areas of judgment include:

i) Application of the going concern assumption:

The assessment of whether the going concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but is not limited to, 12 months from the end of the reporting period. The Company is aware that material uncertainties related to events or conditions may cast significant doubt upon the Company's ability to continue as a going concern.

ii) Application of IFRS 16:

The Company applies judgment in determining whether the contract contains an identified asset, whether the Company has the right to control the asset, and the lease term. The lease term is based on considering facts and circumstances, both qualitative and quantitative, that can create economic incentive to exercise renewal options.

iii) Deferred tax assets

The extent to which deferred tax assets can be recognized is based on an assessment of the probability of the Company generating future taxable income against which the deferred tax assets can be utilized. In addition, significant judgment is required in classifying transactions and assessing probable outcomes of tax positions taken, and in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

RESAAS SERVICES INC.

Notes to the Consolidated Financial Statements

December 31, 2019

(Expressed in Canadian dollars)

2. Basis of Presentation (continued)

(b) Basis of Measurement (continued)

iv) Functional currency

The functional currency for the Company and its subsidiaries is the currency of the primary economic environment in which the entity operates. The Company has determined its functional currency and that of its subsidiaries is the CAD. Determination of functional currency may involve certain judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions that determined the primary economic environment.

(c) Going Concern

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As of December 31, 2019, the Company had not yet generated significant revenue or positive cash flow from operations and had an accumulated deficit of \$48,092,846 (2018 - \$45,002,569). These factors, among others, may cast substantial doubt as to the ability of the Company to continue as a going concern. Management believes that the proceeds from additional equity financing activities that it is currently pursuing, combined with revenue that the Company expects to generate in subsequent periods, will provide the Company with sufficient working capital to satisfy its liabilities and commitments as they become due for the foreseeable future. There can be no assurances that sufficient equity can be raised on acceptable terms on a timely basis.

These consolidated financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these consolidated financial statements. Such adjustments could be material.

3. Summary of Significant Accounting Policies

(a) Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance, are readily convertible to known amounts of cash, and which are subject to insignificant risk of changes in value, to be cash equivalents. Cash equivalents are held in cashable guaranteed investment certificates with a maturity date January 31, 2020 with an interest rate of 1.4%.

(b) Foreign Currency Translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Nonmonetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined. Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss.

(c) Financial Instruments

(i) Recognition and initial measurement

The Company's financial instruments consist of cash and cash equivalents, amounts receivable, net investment in sublease, accounts payable and accrued liabilities, lease liabilities and obligations under finance lease.

Trade receivables are initially recognized when they are originated. All other financial assets and liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

RESAAS SERVICES INC.

Notes to the Consolidated Financial Statements

December 31, 2019

(Expressed in Canadian dollars)

3. Summary of Significant Accounting Policies (continued)

(c) Financial Instruments (continued)

(i) Recognition and initial measurement (continued)

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortized cost; fair value through other comprehensive income ("FVOCI") – debt investment; FVOCI - equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model. The Company does not have any financial assets classified as FVTPL or FVTOCI.

Financial assets: Subsequent measurement and gains and losses

- Financial assets at amortized cost: These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in the statement of operations. Any gain or loss on derecognition is recognized in the statement of operations

Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the statement of operations. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in the statement of operations. Any gain or loss on derecognition is also recognized in the statement of operations.

(iii) Derecognition

Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. The Company enters into transactions whereby it transfers assets recognized in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in the statement of operations.

RESAAS SERVICES INC.

Notes to the Consolidated Financial Statements

December 31, 2019

(Expressed in Canadian dollars)

3. Summary of Significant Accounting Policies (continued)

(c) Financial Instruments (continued)

(iii) Derecognition (continued)

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

(d) Impairment of Financial Assets

At each reporting date, the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or group of financial assets.

(e) Property and Equipment

Property and equipment consists of furniture, leasehold improvements, computer equipment and computer equipment under finance lease and is recorded at cost and amortized annually at rates calculated to amortize the assets over their estimated useful lives. Furniture is amortized over its useful life of 5 years. Computer equipment and computer equipment under finance lease is amortized on a declining balance at a rate of 55% per annum. Leasehold improvements are amortized over the life of the lease of 3 years.

(f) Revenue

The Company principally generates revenue from subscription fees, online advertising sales and projects pursuant to contractual arrangements with its customers.

Revenue from subscription fees and online advertising is generally earned over time and is recognized on a straight-line basis over the term of the contract.

During the year ended December 31, 2019, approximately 74% (2018 – 71%) of total revenue is earned from customers located in the United States.

Revenue from projects is recognized over time as the Company fulfills all performance obligations related to the services provided.

(g) Intangible Assets

Intangible assets include all costs incurred to acquire patents, trademarks and a blockchain application. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with a finite useful life are amortized over the useful economic life of the asset and are stated at cost less accumulated amortization and any accumulated impairment losses. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits is accounted for by changing the amortization period or method, as appropriate, and adjusted prospectively. Amortization is calculated using the straight-line basis over the estimated useful of the asset as follows: Trademarks – 15 years, Real-Block Inc. blockchain application – 5 years.

Gains or losses from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of comprehensive loss when the asset is derecognized.

RESAAS SERVICES INC.

Notes to the Consolidated Financial Statements

December 31, 2019

(Expressed in Canadian dollars)

3. Summary of Significant Accounting Policies (continued)

(h) Impairment of Non-financial Assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If indicators exist, then the asset's recoverable amount is estimated. The recoverable amounts of the following types of intangible assets are measured annually whether or not there is any indication that they may be impaired.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit, or "CGU").

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

In respect of assets other than goodwill and intangible assets that have indefinite useful lives, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(i) Leases

The Company has adopted new accounting standard IFRS 16 "Leases" ("IFRS 16"), effective for annual periods beginning on January 1, 2019. Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

IFRS 16, Leases

In January 2016, the IASB published a new standard, IFRS 16, replacing IAS 17 "Leases" ("IAS 17") and related interpretations (IFRIC 14 "Determining Whether an Arrangement Contains a Lease" ("IFRIC 4"). The new standard eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Under the new standard, a lease becomes an on-balance sheet liability that attracts interest, together with a new right-of-use asset. In addition, lessees will recognize a front-loaded pattern of expense for most leases, even when cash rentals are constant. Effective January 1, 2019, the Company adopted this standard using the modified retrospective approach under which the cumulative effect of initial application was recognized in retained earnings at January 1, 2019. Prior periods have not been restated for the impact of IFRS 16. Comparative information is still reported under IAS 17 and IFRIC 4. The impact of this change in accounting policy is noted below.

For contracts entered into before January 1, 2019, the Company determined whether the arrangement contained a lease under IAS 17. Prior to the adoption of IFRS 16, these leases were classified as operating or finance leases based on an assessment of whether the lease transferred significantly all the risks and rewards of ownership of the underlying asset. The Company leases office space, vehicles and computer equipment. The Company also subleases office space.

RESAAS SERVICES INC.

Notes to the Consolidated Financial Statements

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(Expressed in Canadian dollars)

3. Summary of Significant Accounting Policies (continued)

(i) Leases (continued)

On transition, the Company elected to apply the practical expedient to grandfather the determination of which contract is or contains a lease and applied IFRS 16 to those contracts that were previously identified as leases. Upon transition to the new standard, right-of-use assets and lease liabilities were measured at the present value of the remaining lease payments discounted by the Company's incremental borrowing rate as at January 1, 2019. The non-cash adjustment has been excluded from the consolidated statements of cash flows. The weighted average incremental borrowing rate applied to lease liabilities recognized under IFRS 16 was 4.87%.

For contracts entered into subsequent to January 1, 2019 at inception of the contract, the Company assesses whether a contract is, or contains, a lease by evaluating if the contract conveys the right to control the use of an identified asset. For contracts that contain a lease, the Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted by any initial direct costs, and costs to dismantle and remove the underlying asset less any lease incentives. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the underlying asset or the end of the lease term.

Under IFRS 16, right-of-use assets is tested for impairment in accordance with IAS 36, "Impairment of Assets". This replaced the previous requirement to recognize a provision for onerous lease contracts.

The lease liability is initially measured at the present value of lease payments to be paid subsequent to the commencement date of the lease, discounted either at the interest rate implicit in the lease or the Company's incremental borrowing rate. The lease payments measured in the initial lease liability include payments for an optional renewal period, if any, if the Company is reasonably certain that it will exercise a renewal extension option. The liability is measured at amortized cost using the effective interest method and will be remeasured when there is a change in either the future lease payments or assessment of whether an extension or other option will be exercised. The lease liability is subsequently adjusted for lease payments and interest on the obligation. Interest expense on the lease obligation is included in the consolidated statement of comprehensive loss.

On transition, the Company elected not to recognize right-of-use assets and lease liabilities for leases with a lease term of less than 12 months and for low value leases and recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term, as permitted by IFRS 16.

Under IFRS 16, an intermediate lessor accounts for the head lease and the sublease as two separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the head lease. Because of this change, the Company has reclassified its sublease agreement as finance lease.

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases. See Note 4 for a continuity schedule of the right-of-use assets. See Note 7 for a continuity schedule of the lease liabilities.

RESAAS SERVICES INC.

Notes to the Consolidated Financial Statements

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3. Summary of Significant Accounting Policies (continued)

(i) Leases (continued)

Adoption of IFRS 16 had the following impact on the financial position as at January 1, 2019:

	(As Previously Reported Under IAS 17)		
	December 31, 2018	IFRS 16 Effects	January 1, 2019
	\$	\$	\$
Assets			
Property and equipment	41,979	(11,596)	30,383
Right-of-use assets	–	268,326	268,326
Net investment in sublease	–	121,802	121,802
Total Assets	2,136,518	378,532	2,515,050
Liabilities			
Obligations under finance lease	16,887	(16,887)	–
Lease liabilities	–	378,988	378,988
Leasehold improvement allowance **	18,825	(18,825)	–
Total Liabilities	632,409	343,276	975,685
Deficit	(45,002,569)	35,256	(44,967,313)

** Included as part of accounts payable and accrued liabilities on the consolidated statement of financial position.

(j) Share Capital – Unit Offerings

The Company records proceeds from unit offerings consisting of common shares and equity classified share purchase warrants as share capital. The proceeds from the issuance of units are allocated between common shares and warrants based on the residual value method. Under this method, the proceeds are allocated first to capital stock based on the fair value of the common shares at the time the units are priced and any residual value is allocated to the warrants reserve.

(k) Share-based Payments

The grant date fair value of share-based payment awards granted to employees is recognized as a stock-based compensation expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Where equity instruments are granted to parties other than employees, they are recorded by reference to the fair value of the services received. If the fair value of the services received cannot be reliably estimated, the Company measures the services received by reference to the fair value of the equity instruments granted, measured at the date the counterparty renders service.

All equity-settled share-based payments are reflected in share-based payment reserve, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in share-based payment reserve is credit to share capital, adjusted for any consideration paid.

RESAAS SERVICES INC.

Notes to the Consolidated Financial Statements

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3. Summary of Significant Accounting Policies (continued)

(l) Income Taxes

Income tax comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that they relate to a business combination, or items recognized directly in equity or in the other comprehensive loss.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustments to income tax payable in respect of previous years. Current income taxes are determined using tax rates and laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amounts of an asset or liability differs from its tax base, except for the taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period, the Company re-assesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

(m) Loss per Share

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. The treasury stock method is used for the calculation of diluted loss per share, whereby all "in the money" stock options and share purchase warrants are assumed to have been exercised at the beginning of the period and the proceeds from their exercise are assumed to have been used to purchase common shares at the average market price during the period. When a loss is incurred during the period, the exercise of stock options and share purchase warrants is considered to be anti-dilutive and basic and diluted loss per share are the same. As at December 31, 2019, the Company has 16,528,000 (2018 – 18,327,134) potentially dilutive shares which were anti-dilutive.

RESAAS SERVICES INC.

Notes to the Consolidated Financial Statements

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4. Right-of-Use Assets

	Right-of-Use Building * \$	Right-of-Use Vehicle ** \$	Total \$
Cost:			
Balance, December 31, 2017 and 2018	—	—	—
IFRS 16 transition adjustment	232,269	36,057	268,326
Balance, December 31, 2019	232,269	36,057	268,326
Accumulated amortization:			
Balance, December 31, 2017 and 2018	—	—	—
Additions	126,692	9,834	136,526
Balance, December 31, 2019	126,692	9,834	136,526
Carrying amounts:			
Balance, December 31, 2018	—	—	—
Balance, December 31, 2019	105,577	26,223	131,800

* Right-of-use building is amortized using the straight-line basis until its lease expiration in October 2020.

** Right-of-use vehicle is amortized using the straight-line basis until its lease expiration in September 2022.

5. Property and Equipment

	Furniture \$	Leasehold Improvement \$	Computer Equipment Under Finance Lease \$	Computer Equipment \$	Total \$
Cost:					
Balance, December 31, 2017	27,307	17,714	32,446	82,549	160,016
Additions	—	2,280	12,483	—	14,763
Disposals	(1,809)	—	—	—	(1,809)
Balance, December 31, 2018	25,498	19,994	44,929	82,549	172,970
IFRS 16 transition adjustment	—	—	(44,929)	—	(44,929)
Balance, December 31, 2019	25,498	19,994	—	82,549	128,041
Accumulated amortization:					
Balance, December 31, 2017	5,967	4,294	21,053	66,264	97,578
Additions	5,251	7,136	12,280	8,957	33,624
Disposals	(211)	—	—	—	(211)
Balance, December 31, 2018	11,007	11,430	33,333	75,221	130,991
Additions	5,100	4,671	—	4,030	13,801
IFRS 16 transition adjustment	—	—	(33,333)	—	(33,333)
Balance, December 31, 2019	16,107	16,101	—	79,251	111,459
Carrying amounts:					
Balance, December 31, 2018	14,491	8,564	11,596	7,328	41,979
Balance, December 31, 2019	9,391	3,893	—	3,298	16,582

RESAAS SERVICES INC.

Notes to the Consolidated Financial Statements

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6. Intangible Assets

	Cost \$	Accumulated Amortization \$	Carrying Amounts \$
Balance, December 31, 2017	50,555	6,449	44,106
Additions	820,272	138,971	681,301
Impairment	(7,305)	—	(7,305)
Balance, December 31, 2018	863,522	145,420	718,102
Additions	—	166,275	(166,275)
Impairment	(13,481)	—	(13,481)
Balance, December 31, 2019	850,041	311,695	538,346

On February 27, 2018, the Company acquired Real-Block Inc., ("RBI"), a company holding a real estate blockchain application. As consideration for the acquisition, the Company paid the shareholders of RBI \$75,000 in cash and issued 1,102,938 common shares of the Company with a deemed value of \$750,000 using a volume-weighted average price formula for total consideration of \$825,000. The shares had a fair value of \$716,910 at the date of issuance and were capitalized to intangible assets along with the \$75,000 cash payment. Upon the completion by RBI of a beta test of its technology with at least one real estate association or land registry office within two years, the Company will issue the shareholders of RBI an additional \$750,000 in RESAAS shares valued using a volume-weighted average price formula for an aggregate total potential fair value consideration of \$1,575,000. In connection with the acquisition of RBI, the Company entered into a consulting agreement ("Consulting Agreement") with the principal of RBI ("Principal") for two years for a fee of \$100,000 per year. During the year ended December 31, 2018, \$27,181 legal costs related to RBI were capitalized to intangible assets. On July 5, 2019, the Company entered into a joint development and debt settlement agreement (the "Agreement") with the Principal whereby all current and future charges due from the Company to the Principal pursuant to the Consulting Agreement will be forgiven. In addition, the Company and the Principal will jointly develop a widget whereby the Company will contribute a total of \$48,000 cash to the development. The Company contributed \$24,000 on July 5, 2019. On November 29, 2019, the Agreement was amended where the unpaid balance of \$24,000 was to be settled by the Company issuing 139,429 shares of the Company at a fair value of \$34,857. The Company capitalized \$48,000 as investment in joint venture and impaired the full balance on December 31, 2019.

The Company reviews the carrying value of its intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. During the year ended December 31, 2019, the Company abandoned the application for certain trademarks that were determined not to be of continuing value to the Company. Accordingly, the carrying value of the Company's abandoned trademark costs was recognized as a non-cash additional amortization charge of \$13,481 (2018 - \$7,305).

7. Lease Liabilities

The lease liabilities consist of leases of office space and vehicle. The leases have been discounted using a 4.87% interest rate.

	\$
Balance at December 31, 2017 and 2018	-
Additions	378,988
Interest expense	13,088
Lease payments	(197,808)
Balance at December 31, 2019	194,268
Less: current portion	(177,280)
	16,988

RESAAS SERVICES INC.

Notes to the Consolidated Financial Statements

December 31, 2019

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7. Lease Liabilities (continued)

The following is a schedule of future minimum lease payments as of December 31, 2019:

Fiscal year ending December 31:	Building \$	Vehicle \$	Total \$
2020	171,482	10,554	182,036
2021	-	10,554	10,554
2022	-	7,036	7,036
Net minimum lease payments	171,482	28,144	199,626
Less: amount representing interest payments	(3,865)	(1,493)	(5,358)
Present value of net minimum lease payments	167,617	26,651	194,268
Less: current portion	(167,617)	(9,663)	(177,280)
Long-term portion	-	16,988	16,988

The expense relating to payments not included in the measurement of the lease liabilities is as follows for the year ended December 31, 2019:

	Year Ended December 31, 2019 \$
Short-term leases	6,975
Low value leases	4,112
	11,087

8. Related Party Transactions

During the year ended December 31, 2019, salary of \$602,706 (2018 - \$794,121) to the Company's key management is included in management fees.

The following table summarizes the compensation of the Company's key management:

	2019 \$	2018 \$
Management fees ***	602,706	794,121
Share based payments to officers and directors	267,272	1,111,597

*** During the year ended December 31, 2018, the Company included the compensation paid to former Directors as management fees.

9. Share CapitalPreferred Shares

The Company is authorized to issue an unlimited number of non-voting, non-transferable Class A preferred shares with a par value of \$0.01 per share. The Class A preferred shares cannot be issued at a price less than \$2.00 per share. Holders of Class A preferred shares are not entitled to receive any dividends. Each issued and outstanding Class A preferred share shall be converted into one fully paid common share immediately prior to the consummation of any "Change of Control Event".

RESAAS SERVICES INC.

Notes to the Consolidated Financial Statements

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9. Share Capital (continued)

The Company is authorized to issue an unlimited amount of Class B preferred shares without par value. The Class B preferred shares allow the Board to fix the number of shares in the series and to fix the preferences, special rights and restrictions, privileges, conditions and limitations attached to the shares of that series, before the issuance of shares of any particular series. The Board has the authority to fix, amongst other things, the number of shares constituting any such series, the voting powers, designation, preferences and relative participation, optional or other special rights and qualifications, limitations or restrictions thereof, including the dividend rights and dividend rate, terms of redemption (including sinking fund provisions), redemption price or prices, conversion rights and liquidation preferences of the shares constituting any series, without any further vote or action by the shareholders of the Company.

As at December 31, 2019 and 2018, there are no Class A or Class B preferred shares issued and outstanding.

Common Shares

The Company is authorized to issue an unlimited number of common shares without par value.

- a) On January 25, 2018, the Company closed a non-brokered private placement of 2,905,614 units (each, a "Unit") at a price of \$0.70 per Unit for aggregate gross proceeds of \$2,033,930. Each of the 2,905,614 Units consists of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one common share at a price of \$0.90 per share until January 25, 2019. In connection with the private placement, the Company paid a cash commission of \$116,564, issued 178,472 Finder's Warrants, and paid \$20,063 share issuance costs. Each Finder's Warrant is exercisable into one common share at a price of \$0.90 per share until January 25, 2019. The value of the Finder's Warrants were measured based on the Black-Scholes option pricing model, using a risk-free interest rate of 1.64%, and expected life of 1 year, an annualized volatility of 79% and a dividend rate of 0%. An amount of \$44,598 was allocated to the Finder's warrants and presented as part of share-based payment reserve.
- b) On February 27, 2018, the Company issued 1,102,938 common shares of the Company with a fair value of \$716,910 as consideration for the acquisition of RBI (Note 6).
- c) On February 28, 2018, the Company paid performance bonuses by issuing 330,738 common shares to certain directors, officers and employees in order to retain certain employees and officers and to motivate them to advance the interests of the Company. As the bonuses were earned during the year ended December 31, 2017, the Company recorded the fair value of the shares of \$214,980 in accounts payable and accrued liabilities at December 31, 2017.
- d) On September 24, 2018, the Company closed a non-brokered private placement of 10,000,000 units (each, a "Unit") at a price of \$0.20 per Unit for aggregate gross proceeds of \$2,000,000. Each of the 10,000,000 Units consists of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one common share at a price of \$0.30 per share until September 24, 2020. In connection with the private placement, the Company paid share issuance costs of \$30,000.
- e) On May 31, 2019, the Company closed a non-brokered private placement of 4,000,000 units (each, a "Unit") at a price of \$0.25 per Unit for aggregate gross proceeds of \$1,000,000. Each of the 4,000,000 Units consists of one common share and one-half of one common share purchase warrant. Each warrant entitles the holder to acquire one common share at a price of \$0.30 per share until May 31, 2020. In connection with the private placement, the Company paid a cash commission of \$22,800, and paid \$5,250 share issuance costs.
- f) On October 4, 2019, the Company received approval from the TSX Venture Exchange to re-price 12,000,000 warrants from an exercise price of \$0.30 per share to an exercise price of \$0.20 per share. Pursuant to the re-price of the warrants, 3,725,000 warrants were exercised for proceeds of \$745,000 during the year ended December 31, 2019. Subsequently, a further 7,370,000 warrants were exercised during January 2020 for proceeds of \$1,474,000, of which \$115,000 is included in common shares subscribed as at December 31, 2019. The balance of 905,000 warrants expired subsequently.

RESAAS SERVICES INC.

Notes to the Consolidated Financial Statements

December 31, 2019

(Expressed in Canadian dollars)

9. Share Capital (continued)

- g) On December 4, 2019, the Company settled \$24,400 of indebtedness to a creditor through the issuance of 139,429 common shares of the Company. The fair value of the common shares was \$34,857 and the Company recorded a loss on the settlement of debt of \$10,457.

10. Share Purchase Warrants

The following table summarizes the continuity of share purchase warrants:

	Number of Warrants	Weighted Average Exercise Price \$
Balance, December 31, 2017	1,212,500	2.43
Issued	13,084,086	0.44
Expired	(1,112,500)	2.50
Cancelled	(11,952)	0.90
Balance, December 31, 2018	13,172,134	0.45
Issued	2,000,000	0.20
Exercised	(3,725,000)	0.20
Expired	(3,072,134)	0.90
Balance, December 31, 2019	8,375,000	0.22

The following table summarizes information about warrants outstanding and exercisable at December 31, 2019:

Warrants Outstanding	Exercise Price \$	Expiry Date
1,300,000	0.20	January 11, 2020*
6,975,000	0.20	January 11, 2020*
100,000	1.70	February 26, 2021
<u>8,375,000</u>		

* On October 4, 2019, the Company received approval from the TSX Venture Exchange to re-price 10,000,000 warrants granted on September 24, 2018 to acquire 10,000,000 common shares at \$0.30 until September 24, 2020, and 2,000,000 warrants granted on June 6, 2019 to acquire 2,000,000 common shares at \$0.30 per share until May 31, 2020 (collectively, the "Warrants"). The exercise price of the Warrants was amended to \$0.20 ("New Exercise Price"). The terms of the Warrants were further amended to include an accelerated expiry clause such that the exercise period of the Warrants were reduced to 30 days if, for any 10 consecutive trading days of the common shares, the closing price of the common shares exceeds the New Exercise Price by 25% or more. All other terms of the Warrants remained the same. On December 12, 2019, the Company announced the acceleration of the expiry date of the 12,000,000 Warrants to January 11, 2020. Of the 12,000,000 Warrants accelerated, 3,725,000 were exercised by December 31, 2019 for gross proceeds of \$745,000, 7,370,000 warrants were exercised after December 31, 2019 for gross proceeds of \$1,474,000, and 905,000 unexercised Warrants expired on January 11, 2020.

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11. Stock Options

The following table summarizes information about the stock options.

	2019		2018	
	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
Outstanding – beginning of period	5,155,000	0.93	5,723,200	2.00
Granted	4,574,000	0.30	3,174,200	0.88
Cancelled	–	–	(1,574,200)	1.74
Forfeited/Expired	(1,576,000)	0.72	(2,168,200)	0.93
Outstanding – end of period	8,153,000	0.33	5,155,000	0.93
Exercisable – end of period	5,689,000	0.34	5,055,000	0.93

The following table summarizes information about stock options outstanding and exercisable as at December 31, 2019.

Exercise Price \$	Expiry Date	Number of Options Outstanding	Number of Options Exercisable	Weighted Average Remaining Contracted Life (Years)
1.00	January 31, 2020	500,000	500,000	0.08
0.30	June 3, 2020	250,000	250,000	0.42
0.30	May 2, 2021	1,350,000	1,350,000	1.34
0.25	September 20, 2021	500,000	500,000	1.72
0.30	December 20, 2021	300,000	300,000	1.97
0.20	February 27, 2023	200,000	200,000	3.16
0.30	February 27, 2023	4,277,000	1,813,000	3.16
1.00	February 27, 2023	776,000	776,000	3.16
		8,153,000	5,689,000	2.15

The fair value of stock options granted was determined using the Black-Scholes option pricing model.

During the year ended December 31, 2019, the Company granted 4,574,000 (2018 - 3,174,200) stock options with a fair value of \$957,017 (2018 - \$1,177,159), of which \$484,546 (2018 - \$1,119,872) was expensed relating to stock options that vested during the period.

During the year ended December 31, 2019, the Company expensed \$8,458 (2018 - \$18,191) for the vesting of previously granted unvested stock options and \$876 (2018 - \$384,865) for the incremental fair value of modified stock options.

During the year ended December 31, 2018, the Company amended the terms of outstanding options to purchase an aggregate of 3,048,000 shares by (i) reducing their exercise price to \$1.00 from between \$1.50 and \$2.50 and (ii) extending the expiry date of certain options to February 27, 2023 from between December 23, 2019 and May 19, 2022. The fair value of the stock options was recalculated using the Black-Scholes option pricing model on the amendment date. During the year ended December 31, 2019, the Company recognized \$876 of stock-based compensation relating to the incremental increase in fair value of modified stock options (2018 - \$384,865).

The weighted average fair value of the options granted during the year ended December 31, 2019 was \$0.21 per option (2018 - \$0.37). No options were exercised during the year ended December 31, 2019 or December 31, 2018.

RESAAS SERVICES INC.

Notes to the Consolidated Financial Statements

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11. Stock Options (continued)

Weighted average assumptions used in calculating the fair value of stock-based compensation expense are as follows:

	2019	2018
Risk-free rate	1.34%	2.09%
Dividend yield	-	-
Volatility	115%	91%
Expected forfeitures	-	-
Weighted average expected life of the options (year)	3.51	4.69

12. Capital Management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of equity comprised of issued share capital, share-based payment reserve and deficit.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its board of directors, will balance its overall capital structure through new equity issuances or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the year ended December 31, 2018.

13. Commitments and Contingencies

The Company had no significant commitments or contractual obligations with any parties respecting executive compensation, consulting arrangements, or other matters. Management services provided are on a month-to-month basis. The Company no longer has any significant commitments with respect to the premises lease and vehicle lease as a result of adopting IFRS 16 (Note 3(i)).

14. Financial Instruments and Risk Management

The Company is exposed in varying degrees to a variety of financial instrument and related risks. Those risks and management's approach to mitigating those risks are as follows:

(a) Fair Values

The fair values of financial instruments, which include cash and cash equivalents, amounts receivable, net investment in sublease, accounts payable and accrued liabilities, lease liabilities and obligations under finance lease approximate their carrying values due to the relatively short-term maturity of these instruments.

(b) Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's exposure to credit risk is in its cash and receivables. Cash is held with major banks in Canada and the United States, which are high credit quality financial institutions as determined by rating agencies. The carrying amount of financial assets represents the maximum credit exposure.

Amounts Receivable

Amounts receivable consists of trade receivable of \$302,683, interest receivable of \$170 and GST refunds of \$4,909.

The following table represents the customers that represented 10% or more of total revenue:

Year Ended December 31,	2019	2018
Customer A	23%	27%
Customer B	13%	7%
Customer C	12%	11%

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14. Financial Instruments and Risk Management (continued)**(b) Credit Risk (continued)**

To reduce the credit risk of amounts receivable, the Company regularly reviews the collectability of the amounts receivable to ensure there is no indication that these amounts will not be fully recoverable.

(c) Currency Risk

The Company's functional currency is the Canadian dollar. Currency risk is the risk that the fair value of the Company's financial instruments will fluctuate because of changes in foreign currency exchange rates. The Company's head office and operating expenses are mainly denominated in Canadian dollars. A large portion of the Company's revenue is denominated in US dollars. If the US dollar depreciates compared to the Canadian dollar revenue would decrease in Canadian dollars. The Company does not hold significant monetary assets or liabilities in foreign currencies and therefore is not exposed to significant risks arising from the fluctuation of foreign exchange rates.

(d) Interest Rate Risk

The Company's exposure to interest rate risk relates to its ability to earn interest income on cash balances at variable rates and its short-term term deposits at prescribed market rates. The fair value of the Company's cash is not significantly affected by changes in short-term interest rates. The income earned from the bank accounts and short-term term deposits is subject to movements in interest rates.

(e) Liquidity and Funding Risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available capital in order to meet its liquidity requirements. Management maintains sufficient cash to satisfy short-term liabilities in highly liquid investments.

Funding risk is the risk that market conditions will impact the Company's ability to raise capital through equity markets under acceptable terms and conditions. A summary of the Company's obligations is as follows:

As at December 31, 2019	Carrying amount \$	Contractual cash flows \$	1 year or less \$	1 -5 Years \$
Trade and other payables	434,476	434,476	434,476	—
Lease liabilities	194,268	199,626	182,036	17,590
	628,744	634,102	616,512	17,590

15. Income Taxes

The Company operates in Canada and the United States and is subject to statutory income tax rates of 27% and 27% respectively. The income tax provision differs from the amounts that would be obtained by applying the Canadian statutory income tax rate to net income (loss) before taxes as follows:

	2019 \$	2018 \$
Statutory income tax rate	27.00%	27.00%
Income tax recovery at statutory rate	(843,894)	(1,578,184)
Tax effect of:		
Permanent differences and other	103,520	441,751
True up of prior year difference	—	(1,222,225)
Change in tax benefits not recognized	740,374	2,358,658
Income tax provision	—	—

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15. Income Taxes (continued)

The tax effect items that give rise to significant portions of the deferred income tax assets and deferred income tax liabilities at December 31, 2019 and 2018 are as follows:

	2019 \$	2018 \$
Deferred income tax assets:		
Non-capital losses carried forward	53,395	-
Deferred income tax assets	53,395	-
Excess of carrying value over tax value of right-of-use assets	(50,845)	-
Excess of carrying value over tax value of intangible assets	(2,550)	-
Deferred income tax liability	(53,395)	-
Net deferred tax asset (liability)	-	-

The Company did not recognize the following deferred tax assets:

	2019 \$	2018 \$
Gross amount of future income, deductions, and other temporary differences subject to tax effect at statutory tax rates:		
Non-capital losses carried forward	25,042,955	22,997,124
Share issuance costs	178,641	558,109
Property, equipment and website costs	5,081,180	5,030,041
SR&ED pool carried forward to future years	2,818,584	2,818,584
Other	195,500	36,947
Tax credits already tax-effected at statutory tax rates:		
SR&ED investment tax credits	1,221,440	1,221,440

As at December 31, 2019, the Company has non-capital losses carried forward of \$25,240,714 in Canada and the United States which are available to offset future years' taxable income. These losses expire as follows:

	Total \$
2028	94,951
2029	270,012
2030	33,903
2031	592,844
2032	1,341,153
2033	2,174,675
2034	3,192,383
2035	3,686,178
2036	3,198,863
2037	4,065,335
2038	4,346,827
2039	2,243,590
	<u>25,240,714</u>

As at December 31, 2019, the Company has scientific research and experimental development investment tax credits of \$1,221,440 in Canada which are available to offset future years' taxes payable. These credits expire beginning in 2021.

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16. Subsequent Events

During January 2020, the Company received total proceeds of \$1,474,000, of which \$115,000 was received prior to December 31, 2019 and is included in common shares subscribed, from the exercise of 7,370,000 share purchase warrants at \$0.20 per share.

On January 11, 2020, 905,000 warrants expired without exercise.

On January 31, 2020, 500,000 options expired without exercise.

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 physical distancing, have caused material disruption to business globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. The Company does not anticipate COVID-19 to negatively impact its business on a mid-term and long-term basis considering its cloud platform is designed for agents to work remotely with each other. While the Company does not anticipate any long-term impact, it is not possible to reliably estimate the immediate impact on the financial results and condition of the Company. The Company will continue to monitor and assess risks associated with COVID-19.