



# **RIWI CORP.**

## **CONDENSED INTERIM FINANCIAL STATEMENTS**

**For the Three Months ended March 31, 2018 and 2017**

(Expressed in United States Dollars)

(Unaudited)

# RIWI CORP.

## NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of RIWI Corp. (the "Company") have been prepared by management and approved by the Audit Committee and Board of Directors of the Company. They include appropriate accounting principles, judgment, and estimates in accordance with *International Financial Reporting Standards* for interim financial statements.

The Company's independent auditors have not performed a review of these condensed interim financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of condensed interim financial statements by an entity's auditors.

**RIWI CORP.**

## Condensed Interim Statement of Financial Position

As at March 31, 2018 and 2017

(Unaudited and Expressed in U.S. Dollars)

	March 31, 2018	December 31, 2017
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 1,356,313	\$ 1,463,405
Term deposit	7,971	7,971
Accounts receivable (Note 4)	302,749	185,378
Prepaid expenses & other current assets	50,782	56,312
<b>Total current assets</b>	<b>1,717,815</b>	<b>1,713,066</b>
Property and equipment (Note 5)	28,961	747
Intangible assets (Note 5)	96,669	94,026
<b>Total assets</b>	<b>\$ 1,843,445</b>	<b>\$ 1,807,839</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 89,580	\$ 107,684
Deferred revenue	226,478	400,312
<b>Total liabilities</b>	<b>316,058</b>	<b>507,996</b>
<b>Shareholders' equity</b>		
Share capital (Note 6)	\$ 4,415,556	\$ 4,415,556
Capital reserves	1,227,196	1,195,043
Accumulated deficit	(4,115,365)	(4,310,756)
<b>Total shareholders' equity</b>	<b>1,527,387</b>	<b>1,299,843</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 1,843,445</b>	<b>\$ 1,807,839</b>

Nature of business and continuing operations (Note 1)

Commitments (Note 14)

Approved and authorized for issuance on behalf of the Board on May 15, 2018.

*"Neil Seeman" (signed)*Neil Seeman  
Chairman of the Board and  
Chief Executive Officer*"Annette Cusworth" (signed)*Annette Cusworth  
Chair of the Audit Committee

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

**RIWI CORP.**

Condensed Interim Statements of Loss and Comprehensive Loss  
For the Three Months ended March 31, 2018 and 2017  
(Unaudited and Expressed in U.S. Dollars)

	March 31, 2018	March 31, 2017
Revenues		
Sales	\$ 355,850	\$ 256,788
Interest income	4,530	-
<b>Total revenues</b>	<b>360,381</b>	<b>256,788</b>
Expenses		
General and administrative (Note 9)	362,484	167,671
Sales and marketing	13,923	25,756
Technology costs (Note 10)	64,541	108,972
<b>Total expenses</b>	<b>440,948</b>	<b>302,399</b>
<b>Net loss and comprehensive loss for the period</b>	<b>\$ (80,568)</b>	<b>\$ (45,610)</b>
Net loss per share		
Basic and fully diluted	\$ (0.00)	\$ (0.00)
Weighted average number of common shares outstanding		
Basic and fully diluted	17,261,647	15,594,893

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

**RIWI CORP.**

Condensed Interim Statements of Changes in Equity  
For the Three Months ended March 31, 2018 and 2017  
(Unaudited and Expressed in U.S. Dollars)

	Share Capital		Capital Reserves				Accumulated Deficit	Total Equity
	Number of Shares	Amount	Share-based payment reserve	Warrants reserve	Other capital reserves	Total reserves		
Balance, December 31, 2016	15,543,826	\$ 3,046,464	\$ 687,428	\$ 20,861	\$ 7,105	\$ 715,394	\$ (3,356,587)	\$ 405,272
Share-based payment expense	-	-	5,774	-	-	5,774	-	5,774
Issuance of common shares and warrants for cash, net of issuance costs	656,571	1,066,931	-	140,544	-	140,544	-	1,207,476
Net loss and comprehensive loss for the period	-	-	-	-	-	-	(45,610)	(45,610)
Balance, March 31, 2017	16,200,397	\$ 4,113,396	\$ 693,202	\$ 161,405	\$ 7,105	\$ 861,712	\$ (3,402,197)	\$ 1,572,911
Balance, December 31, 2017	17,261,647	\$ 4,415,556	\$ 926,173	\$ 240,842	\$ 28,029	\$ 1,195,043	\$ (4,310,756)	\$ 1,299,843
Adjustment to equity balance as at January 1, 2018 related to the change in accounting policy	-	-	-	-	-	-	275,958	275,958
Balance, January 1, 2018	17,261,647	4,415,556	926,173	240,842	28,029	1,195,043	(4,034,798)	1,575,802
Share-based payment expense	-	-	32,153	-	-	32,153	-	32,153
Net loss and comprehensive loss for the period	-	-	-	-	-	-	(80,568)	(80,568)
Balance, March 31, 2018	17,261,647	\$ 4,415,556	\$ 958,326	\$ 240,842	\$ 28,029	\$ 1,227,196	\$ (4,115,365)	\$ 1,527,387

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

**RIWI CORP.**

Condensed Interim Statements of Cash Flows  
For the Three Months ended March 31, 2018 and 2017  
(Unaudited and Expressed in U.S. Dollars)

	March 31, 2018	March 31, 2017
Operating activities		
Net loss for the period	\$ (80,568)	\$ (45,610)
Items not involving cash:		
Amortization of property and equipment	217	-
Amortization of intangible assets	2,286	250
Share-based payment expense	32,153	5,774
	<u>(45,912)</u>	<u>(39,587)</u>
Changes in non-cash operating working capital:		
Accounts receivable	(117,371)	107,746
Prepaid expenses and other assets	5,530	518
Accounts payable and accrued liabilities	(18,103)	(16,546)
Deferred revenue	(173,834)	(64,678)
Adjustment to equity balance as at January 1, 2018 related to the change in accounting policy	275,958	-
Net cash used in operating activities	<u>(73,732)</u>	<u>(12,547)</u>
Investing activities		
Leasehold improvements	(27,318)	-
Purchase of property and equipment	(1,113)	-
Application for trademarks	(4,929)	-
Net cash used in investing activities	<u>(33,360)</u>	<u>-</u>
Financing activities		
Proceeds from issuance of common shares	-	1,207,476
Net cash provided by financing activities	<u>-</u>	<u>1,207,476</u>
Change in cash and cash equivalents	(107,092)	1,194,929
Cash and cash equivalents, beginning of the period	1,463,405	328,869
Cash and cash equivalents, end of the period	<u>\$ 1,356,313</u>	<u>\$ 1,523,798</u>

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

## **RIWI CORP.**

Notes to the Condensed Interim Financial Statements  
Three Months ended March 31, 2018 and 2017  
(Unaudited and Expressed in U.S. Dollars)

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### **1. NATURE OF OPERATIONS AND GOING CONCERN**

RIWI Corp. (the “Company” or “RIWI”) is a public company and its common shares are listed on the Canadian Securities Exchange (CSE: RIW). The Company was originally incorporated under the laws of Canada pursuant to the *Canada Business Corporations Act* on August 17, 2009. The head office is located at 180 Bloor Street West, Suite 1000, Toronto, Ontario, M5S 2V6 and RIWI’s registered and records office is located at Suite 1700, Park Place, 666 Burrard Street, Vancouver, BC, V6C 2X8.

RIWI provides digital intelligence information services to customers using a proprietary global digital data capture and message dissemination platform called Random Domain Intercept Technology. RIWI operates four growing business lines: (i) Global Finance; (ii) Global Security; (iii) Global Citizen Engagement; and (iv) Global Consumer. RIWI services clients through long- and short-term agreements with non-governmental organizations, corporations, and with organizations funded as prime contractors to government agencies. RIWI’s platform is able to generate intelligence that is of importance to customers through the conduct of digital surveys and message testing campaigns that are targeted at Web users located throughout the world. The information generated from these surveys and message campaigns enables customers to monitor the effectiveness of programs, and to make better-informed business decisions and implement more effective business strategies.

These 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 for the foreseeable future. For the three months ended March 31, 2018, the Company had a net loss of \$80,568 (three months ended March 31, 2017 – \$45,610). As at March 31, 2018, the Company had an accumulated deficit of \$4,115,365 (December 31, 2017 – \$4,310,756). The Company has generated negative cash flows from operating activities since inception. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and/or to generate profitable operations. These conditions indicate a material uncertainty that may cast significant doubt on the Company’s ability to continue as a going concern. The Company has historically been able to fund operations through equity raises. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

### **2. BASIS OF PRESENTATION AND CHANGE IN REPORTING CURRENCY TO U.S. DOLLARS**

These unaudited condensed interim financial statements have been prepared in accordance with *International Financial Reporting Standards* (“IFRS”) applicable to interim financial information, as outlined in International Accounting Standard (“IAS”) 34, Interim Financial Reporting and using the accounting policies consistent with those in the audited financial statements as at and for the year ended December 31, 2017.

These unaudited condensed interim financial statements do not include all disclosures normally provided in annual financial statements and should be read in conjunction with the annual financial statements as at and for the year ended December 31, 2017. Interim results are not necessarily indicative of the results expected for the fiscal year.

These financial statements were authorized for issuance by the Board of Directors on May 15, 2018.

The financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value, consistent with the Company’s significant accounting policies.

The Company changed its functional and reporting currency in its financial statements from Canadian dollars to U.S. dollars, for fiscal periods beginning on January 1, 2018, as a result of changes in its business, which is now predominantly U.S. dollar denominated. Historical financial information has been restated to U.S. dollars for comparative purposes.

**RIWI CORP.**

Notes to the Condensed Interim Financial Statements  
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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****(a) Use of estimates and judgments**

The preparation of these condensed interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies regarding certain types of assets, liabilities, revenues and expenses in the preparation of the financial statements. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected. Information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts are as follows:

**(i) Going concern**

The Company has incurred losses to date and the Company's ability to execute its strategy by funding future working capital requirements requires judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, such as expectations of future events that are believed to be reasonable under the circumstances.

**(ii) Asset carrying values and impairment charges**

In the determination of carrying values and impairment charges, management looks at the higher of recoverable amount or fair value less costs to sell in the case of assets and at objective evidence, significant or prolonged decline of fair value of assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

**(iii) Income taxes and recoverability of potential deferred income tax assets**

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers whether relevant tax planning opportunities are within the Company's control, are feasible and are within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred income tax assets. The Company reassesses unrecognized income tax assets on an annual basis.

**(iv) Measurement of share-based compensation and warrants**

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based non-vested share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance.



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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

## (b) Adoption of new and amended accounting pronouncements

## (i) IFRS 9, Financial Instruments (“IFRS 9”)

IFRS 9 replaces the guidance in IAS 39, Financial Instruments: Recognition and Measurement. Financial assets will be classified into one of two categories on initial recognition, financial assets measured at amortized cost or financial assets measured at fair value. Gains and losses on re-measurement of financial assets measured at fair value will be recognized in the statement of loss and comprehensive loss, except that for an investment in an equity instrument which is not held-for-trading.

In the current period the Company has applied IFRS 9. The Company has chosen to apply IFRS 9 to the current period only and has retained its prior period figures as allowed by the standard. There was no impact of IFRS 9 on the Company’s financial statements.

## (ii) IFRS 15, Revenue from Contracts with Customers (“IFRS 15”)

In the current period the Company has applied IFRS 15, which clarifies the principles for recognizing revenue from contracts with customers. The Company’s customer contracts are becoming longer in term, and as a result the Company now recognizes revenue over time. The Company transitioned to the new standard based on the cumulative effect method for contracts that were not fully completed prior to January 1, 2018 and has retained its prior period figures as allowed by the standard. Please see Note 13 for additional details.

IFRS 15 uses the terms “contract asset” and “contract liability” to describe what might more commonly be known as “accrued revenue” and “deferred revenue”, however the standard does not prohibit an entity from using alternative descriptions in its Statement of Financial Position.

## (c) Accounting pronouncements issued but not yet effective

## IFRS 16, Leases (“IFRS 16”)

In January 2016, the IASB issued IFRS 16, Leases. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of a low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The mandatory effective date of IFRS 16 is for annual periods beginning on or after January 1, 2019. The Company is evaluating the potential impacts of IFRS 16 on its financial statements.

**4. ACCOUNTS RECEIVABLE**

Accounts receivable consists of the following:

	March 31, 2018	December 31, 2017
Trade receivables	\$ 302,749	\$ 185,378
HST input tax credits	-	-
	<u>\$ 302,749</u>	<u>\$ 185,378</u>

**RIWI CORP.**

Notes to the Condensed Interim Financial Statements  
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**5. NON-CURRENT ASSETS**

## (a) Property and Equipment

	Computers	Leasehold Improvements	Total
Cost:			
Balance, December 31, 2017	\$ 996	\$ -	\$ 996
Additions	1,113	27,318	28,431
Balance, March 31, 2018	2,109	27,318	29,427
Accumulated Amortization:			
Balance, December 31, 2017	(249)	-	(249)
Amortization	(217)	-	(217)
Balance, March 31, 2018	(466)	-	(466)
Carrying value:			
December 31, 2017	747	-	747
Balance, March 31, 2018	\$ 1,643	\$ 27,318	\$ 28,961

Property and equipment consist of computers and leasehold improvements. As at March 31, 2017, the Company had a \$nil carrying value for property and equipment. The Company amortizes its computers using the straight-line method over 24 months. The Company will amortize the leasehold improvements over five years, which is the term of its office lease. The lease begins on June 1, 2018 and terminates on May 31, 2023.

## (b) Intangible Assets

<b>2017</b>	Patent	Domain Names	Trademarks	Total
Cost:				
Balance, December 31, 2016	\$ 20,000	\$ -	\$ -	\$ 20,000
Additions	-	-	-	-
Balance, March 31, 2017	20,000	-	-	20,000
Accumulated Amortization:				
Balance, December 31, 2016	(3,067)	-	-	(3,067)
Amortization	(250)	-	-	(250)
Balance, March 31, 2017	(3,317)	-	-	(3,317)
Carrying value:				
December 31, 2016	16,933	-	-	16,933
Balance, March 31, 2017	\$ 16,683	\$ -	\$ -	\$ 16,683
<b>2018</b>				
Cost:				
Balance, December 31, 2017	\$ 21,239	\$ 80,810	\$ -	\$ 102,049
Additions	-	-	4,929	4,929
Balance, March 31, 2018	21,239	80,810	4,929	106,978
Accumulated Amortization:				
Balance, December 31, 2017	(4,320)	(3,704)	-	(8,023)
Amortization	(266)	(2,020)	-	(2,286)
Balance, March 31, 2018	(4,585)	(5,724)	-	(10,309)
Carrying value:				
December 31, 2017	16,919	77,106	-	94,026
Balance, March 31, 2018	\$ 16,654	\$ 75,086	\$ 4,929	\$ 96,669

**RIWI CORP.**

Notes to the Condensed Interim Financial Statements  
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**5. NON-CURRENT ASSETS** (continued)

Intangible Assets (continued)

Intangible assets consist of a patent, domain names, and trademarks.

The Company owns US Patent #8,069,078. This patent, which expires in 2027, relates to a method of obtaining a representative online polling sample or ad test globally. The Company has classified the patent as a finite life intangible asset and amortized it using the straight-line method over 20 years.

The Company purchased Internet domain names in 2017 which have strategic value for its future operations. The Company has classified the domain names as a finite life intangible asset and amortized them using the straight-line method over 10 years.

In 2018, the Company applied for trademarks of the word mark "RIWI" in Canada, United States of America and the European Union. The Company has classified the trademarks as finite life intangible assets. Upon finalization of all trademark applications, the Company will amortize them using the straight-line method over 10 years.

**6. SHARE CAPITAL**

Authorized: unlimited number of common shares without par value.

Issued: The Company had 17,261,647 common shares issued and outstanding having a carrying value of \$4,415,556 as at March 31, 2018.

There was a net loss and comprehensive loss of \$80,568 for the three months ended March 31, 2018 (March 31, 2017 – \$45,610), and the basic net loss per share was \$0.00 (March 31, 2017 – \$0.00). The effect of the stock options and warrants is anti-dilutive and the diluted loss per share remains \$0.00 (March 31, 2017 – \$0.00).

**7. SHARE-BASED PAYMENTS**

The Company has a stock option plan under which it is authorized to grant options to directors, employees, and consultants enabling them to acquire in aggregate up to 20% of the issued and outstanding common shares of the Company. Under the plan, the exercise price of each option equals the market price, minimum price, or a discounted price of the Company's shares as calculated on the date of grant. The options can be granted for a maximum term of 10 years and are subject to vesting provisions as determined by the Board of Directors of the Company.

The following table summarizes the continuity of the Company's stock options:

	Number of Options	Weighted average exercise price (CAD)
Balance, December 31, 2017 and March 31, 2018	1,779,602	\$ 1.35

For the three months ended March 31, 2018, the Company recorded share-based payment expense, with a corresponding credit to reserves of \$32,153 (2017 – \$5,774).

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Notes to the Condensed Interim Financial Statements  
 Three Months ended March 31, 2018 and 2017  
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**7. SHARE-BASED PAYMENTS** (continued)

Additional information regarding stock options outstanding as at March 31, 2018 is as follows:

Range of exercise prices (CAD)	Outstanding		Exercisable	
	Number of shares	Weighted average remaining contractual life (years)	Number of shares	Weighted average exercise price (CAD)
\$ 0.57	354,102	0.6	354,102	\$ 0.57
\$ 0.86	623,000	2.1	623,000	\$ 0.86
\$ 2.00	200,000	4.4	100,000	\$ 2.00
\$ 2.01	120,000	4.5	60,000	\$ 2.01
\$ 2.04	200,000	4.2	193,750	\$ 2.04
\$ 2.14	232,500	3.2	232,500	\$ 2.14
\$ 2.51	50,000	2.9	50,000	\$ 2.51
\$ 1.35	1,779,602	2.6	1,613,352	\$ 1.27

**8. SHARE PURCHASE WARRANTS**

	Number of Warrants	Weighted average exercise price (CAD)
Balance, December 31, 2017 and March 31, 2018	662,071	\$ 3.48

As at March 31, 2018, the following share purchase warrants were outstanding:

Number of warrants outstanding	Exercise price (CAD)	Expiry date
656,571	\$ 3.50	September 24, 2018
5,500	0.857	February 12, 2020
662,071		

**9. GENERAL AND ADMINISTRATIVE EXPENSES**

	Three Months Ended March 31	
	2018	2017
Amortization	\$ 2,503	\$ 250
Professional and consulting fees	13,664	553
Salaries and benefits	253,454	130,413
Share-based payment expense	32,153	5,774
Rent and office expenses	49,617	24,305
Foreign exchange loss	11,093	6,376
General and administrative	\$ 362,484	\$ 167,671

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Notes to the Condensed Interim Financial Statements  
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**10. RELATED PARTY TRANSACTIONS**

- (a) For the three months ended March 31, 2018, included in technology costs are consulting fees and wages to the Company's Chief Technology Officer in the amount of \$nil (2017 – \$27,023). During September 2017, the Company's Chief Technology Officer transitioned from being a consultant to being appointed an officer of the Company, and those costs were moved to salaries expenses under general and administrative expenses.
- (b) For the three months ended March 31, 2018, the Company recognized share-based payment expense of \$19,867 (2017 – \$4,508) for stock options granted and vested for directors and officers.

**11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

As at March 31, 2018, the Company's financial instruments are comprised of cash and cash equivalents, accounts receivable, deposits and accounts payable and accrued liabilities. The amounts reflected in the statement of financial position are carrying amounts and approximate their fair values due to their short-term nature. These financial instruments are classified as follows:

- Cash and cash equivalents – loans and receivables
- Accounts receivable – loans and receivables
- Deposits – loans and receivables
- Accounts payable and accrued liabilities – other financial liabilities

The evaluation of the financial instruments that are measured subsequent to initial recognition at fair value are grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 of the fair value hierarchy includes unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 of the hierarchy includes inputs that are observable for the asset or liability, either directly or indirectly; and
- Level 3 includes inputs for the asset or liability that are not based on observable market data.

The Company has no financial instruments measured at FVTPL.

The following is a discussion of the Company's risk exposures:

**(a) Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's trade accounts receivable are due from customers and are subject to normal credit risk. The following table provides information regarding the aged trade receivables:

	Current	31-60 days	61-90 days	91 days +
March 31, 2018	78%	16%	6%	0%
December 31, 2017	88%	4%	8%	0%

At each period end, the Company reviews the collectability of outstanding receivables. The specific accounts are only written off once all the collection avenues have been explored or when legal bankruptcy has occurred. The Company does not currently have an allowance for doubtful accounts.

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**11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT** (continued)

The following table identifies customers comprising 10% or more of the Company's revenue:

	March 31, 2018	March 31, 2017
Customer A	21%	0%
Customer B	14%	0%
Customer C	11%	0%
Customer D	0%	39%
Customer E	0%	32%

**(b) Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company has in place a planning and budgeting process which helps determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives.

The Company's financial liabilities consist of accounts payable and accrued liabilities and consist of invoices payable to trade suppliers for online advertising technology services, server hosting, general and administrative, and other expenses and are paid within one year.

The Company expects to fund these liabilities through the use of existing cash resources and funds raised through equity financings, if required.

**(c) Market risk**

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the Company's net earnings or the value of financial instruments. The objective of the Company is to manage and mitigate market risk exposures within acceptable limits, while maximizing returns.

- (i) *Interest rate risk:* The Company has cash balances and no interest-bearing debt, and is not exposed to any significant interest rate risk.
- (ii) *Foreign currency risk:* The Company's activities are conducted in foreign jurisdictions and a portion of the Company's cash is denominated in Canadian dollars. The Company has not entered into foreign exchange rate contracts to mitigate this risk.

As at March 31, 2018, financial instruments were converted at a rate of US\$1.00 to CAD\$1.2894 and Swiss Francs (CHF) 0.9564. Balances denominated in foreign currencies as at March 31, 2018 were as follows:

	In USD	In CAD	In CHF
Cash and cash equivalents	\$ 1,036,990	\$ 411,710	\$ -
Accounts Receivable	158,357	128,200	43,000
Accounts Payable	12,057	92,000	-

The estimated impact on net loss at March 31, 2018 with a +/- 10% change in Canadian Dollar exchange rate is approximately \$25,000 (2017 – \$81,000).

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**11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT** (continued)

## (d) Capital management

The Company's capital is defined to be shareholders' equity. The Company's objective in managing capital is to ensure it has adequate working capital to meet day to day needs and access to sources of capital sufficient to finance its operations and to make planned capital expenditures or capital acquisitions as opportunities present themselves. The Company manages its capital structure and makes changes to it in light of changes in economic conditions, anticipated or planned capital expenditures, opportunities for acquisitions and the risk characteristics of the underlying investments.

The Company is not subject to any externally imposed capital requirements.

**12. SEGMENT REPORTING**

The approximate sales revenue based on geographic location of customers for the three months ended March 31, 2018 and 2017 is as follows:

	March 31, 2018	March 31, 2017
United States of America	\$ 159,171	\$ 118,990
Canada	65,070	37,400
Europe	88,759	-
Other	42,851	100,399
	<u>\$ 355,850</u>	<u>\$ 256,788</u>

**13. CHANGE IN ACCOUNTING POLICY FOR REVENUE RECOGNITION**

The Company's customer contracts are becoming longer in term, and as a result the Company began recognizing revenue over time from January 1, 2018. The Company applied IFRS 15 using the cumulative effect method for contracts that were not fully completed, as an adjustment to the opening balance of equity as at January 1, 2018. Therefore, the Company has not restated comparative information and continues to be reported under IAS 18, Revenue. The positive adjustment to the opening balance of equity as at January 1, 2018 was \$275,958, with a corresponding adjustment to the deferred revenue balance.

The Company previously followed the completed contract revenue recognition policy. Under IFRS 15, the Company now recognizes revenue over time, based on different contract milestones being reached. The impact of adopting IFRS 15 on the Company's unaudited interim financial statements for the three months ended March 31, 2018 is noted in the table below:

	As reported	Adjustments	Balances without adoption of IFRS 15
Revenues			
Sales	\$ 355,850	\$ 14,464	\$ 370,314
Interest	4,530	-	4,530
Total revenues	<u>\$ 360,380</u>	<u>\$ 14,464</u>	<u>\$ 374,844</u>

**14. COMMITMENTS**

The Company's head office currently shares space with a third-party firm. The total lease payments are \$8,903 per month beginning on June 1, 2018, increasing to \$9,009 per month on June 1, 2020. The Company is responsible for 50% of the monthly lease payments. The office lease expires on May 31, 2023.