



RIWI CORP.

ANNUAL FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

(Expressed in United States Dollars)



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INDEPENDENT AUDITORS' REPORT

To the Shareholders of RIWI Corp.,

Opinion

We have audited the financial statements of RIWI Corp. ("the Entity"), which comprise:

- the statements of financial position as at December 31, 2018, December 31, 2017, and January 1, 2017
- the statements of income/(loss) and comprehensive income/(loss) for the years ended December 31, 2018 and December 31, 2017
- the statements of changes in equity for the years ended December 31, 2018 and December 31, 2017
- the statements of cash flows for the years ended December 31, 2018 and December 31, 2017
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2018 and December 31, 2017, and its financial performance and its cash flows for the years 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 "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the 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 1 in the financial statements, which indicates that RIWI Corp. incurred significant losses from operations and negative cash flows from operations in prior years.

As stated in Note 1 in the financial statements, these events or conditions, along with other matters as set forth in Note 1 in the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Entity's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Emphasis of Matter

We draw attention to Notes 3(b)(ii) and 14 to the financial statements which indicate that the Entity has changed its accounting policy for revenue, as a result of the adoption of IFRS 15, Revenue from contracts with customers, and has applied that change using the cumulative effect method.

We draw attention to Note 3(k) to the financial statements which indicates that the Entity has changed its accounting policy for its functional currency and presentation currency and has applied that change prospectively.

Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the 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 financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.



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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (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 financial statements, management is responsible for assessing the Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 the 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 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 Entity'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 Entity'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 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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditors' report is Pardeep Singh Gill.

Vaughan, Canada

March 7, 2019

RIWI CORP.

Statements of Financial Position

As at December 31, 2018 and December 31, 2017

(Expressed in U.S. Dollars)

	December 31, 2018	December 31, 2017	January 1, 2017
		<i>Restated - Note 3(k)</i>	<i>Restated - Note 3(k)</i>
Assets			
Current assets			
Cash and cash equivalents	\$ 1,748,728	\$ 1,463,405	\$ 349,238
Term deposit	-	7,971	19,928
Accounts receivable (Note 4)	151,479	185,378	275,864
Unbilled revenue (Note 14)	580,507	-	-
Prepaid expenses and other current assets	56,283	56,312	27,729
	2,536,997	1,713,066	672,759
Property and equipment (Note 5)	28,935	747	-
Intangible assets (Note 5)	83,405	94,026	17,982
Total assets	\$ 2,649,337	\$ 1,807,839	\$ 690,741
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	\$ 163,258	\$ 107,684	\$ 83,900
Deferred revenue (Note 14)	24,236	400,312	176,469
	187,494	507,996	260,369
Non-current lease liability	11,800	-	-
	199,294	507,996	260,369
Shareholders' equity			
Share capital (Note 6)	\$ 4,553,291	\$ 4,415,556	\$ 3,235,153
Contributed surplus	1,502,004	1,195,043	759,703
Accumulated deficit	(3,605,252)	(4,310,756)	(3,564,484)
	2,450,043	1,299,843	430,372
Total liabilities and shareholders' equity	\$ 2,649,337	\$ 1,807,839	\$ 690,741

Nature of business and continuing operations (Note 1)

Commitments (Note 15)

Approved and authorized for issuance on behalf of the Board on March 7, 2019.

*"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 annual financial statements)

RIWI CORP.

Statements of Income/(Loss) and Comprehensive Income/(Loss)

For the years ended December 31, 2018 and 2017

(Expressed in U.S. Dollars)

	2018	2017
		<i>Restated - Note 3(k)</i>
Revenues (Note 14)	\$ 2,667,677	\$ 1,346,057
Expenses		
General and administrative (Note 9)	1,830,850	1,364,051
Sales and marketing	111,604	124,709
Technology costs (Note 11)	332,348	605,974
Total expenses	2,274,802	2,094,734
Earnings before interest income	392,875	(748,677)
Interest income	23,661	2,405
Net income/(loss) and comprehensive income/(loss)	\$ 416,536	\$ (746,272)
Net income/(loss) per share		
Basic and diluted	\$ 0.02	\$ (0.04)
Weighted average number of common shares outstanding		
Basic	17,295,449	16,607,461
Diluted	17,895,949	16,607,461

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

RIWI CORP.

Statements of Changes in Equity
For the years ended December 31, 2018 and 2017
(Expressed in U.S. Dollars)

	Share Capital		Contributed Surplus				Accumulated Deficit	Total Equity
	Number of Shares	Amount	Share-based payment reserve	Warrants reserve	Other capital reserves	Total reserves		
Balance, January 1, 2017 <i>(Restated - Note 3(k))</i>	15,543,826	\$ 3,235,153	\$ 730,006	\$ 22,153	\$ 7,545	\$ 759,704	\$ (3,564,484)	\$ 430,373
Share-based payment expense	-	-	323,913	-	-	323,913	-	323,913
Issuance of common shares and warrants for cash, net of issuance costs	656,571	1,042,670	-	239,593	-	239,593	-	1,282,263
Stock options exercised	1,056,250	127,747	(127,747)	-	-	(127,747)	-	-
Share purchase warrants exercised	5,000	9,986	-	(420)	-	(420)	-	9,566
Share purchase warrants expired	-	-	-	(20,484)	20,484	-	-	-
Net loss and comprehensive loss for the year	-	-	-	-	-	-	(746,272)	(746,272)
Balance, December 31, 2017 <i>(Restated - Note 3(k))</i>	17,261,647	\$ 4,415,556	\$ 926,172	\$ 240,842	\$ 28,029	\$ 1,195,043	\$ (4,310,756)	\$ 1,299,843
Balance, December 31, 2017	17,261,647	\$ 4,415,556	\$ 926,172	\$ 240,842	\$ 28,029	\$ 1,195,043	\$ (4,310,756)	\$ 1,299,843
Adjustment to accumulated deficit balance as at January 1, 2018 related to the change in accounting policy (Note 14)	-	-	-	-	-	-	317,395	317,395
Balance January 1, 2018	17,261,647	4,415,556	926,172	240,842	28,029	1,195,043	(3,993,361)	1,617,238
Share-based payment expense	-	-	416,269	-	-	416,269	-	416,269
Stock options exercised	214,095	137,735	(137,735)	-	-	(137,735)	-	-
Warrants, extension of expiry date	-	-	-	28,427	-	28,427	(28,427)	-
Net income and comprehensive income for the year	-	-	-	-	-	-	416,536	416,536
Balance, December 31, 2018	17,475,742	\$ 4,553,291	\$ 1,204,706	\$ 269,269	\$ 28,029	\$ 1,502,004	\$ (3,605,252)	\$ 2,450,043

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

RIWI CORP.

Statements of Cash Flows

For the years ended December 31, 2018 and 2017

(Expressed in U.S. Dollars)

	2018	2017
		<i>Restated - Note 3(k)</i>
Operating activities		
Net income/(loss) for the period	\$ 416,536	\$ (746,272)
Items not involving cash:		
Amortization of property and equipment	6,218	249
Amortization of intangible assets	16,357	4,766
Share-based payment expense	416,269	323,913
	855,380	(417,344)
Changes in non-cash operating working capital:		
Accounts receivable	33,899	90,486
Unbilled revenue	(574,607)	-
Prepaid expenses and other assets	29	(28,583)
Accounts payable and accrued liabilities	55,574	23,784
Deferred revenue	(64,581)	223,843
Non-current lease liability	11,800	-
Net cash provided/(used) by operating activities	317,494	(107,814)
Investing activities		
Term deposit redemption	7,971	11,957
Purchase of intangible assets	-	(80,810)
Additions of property and equipment	(34,406)	(996)
Application for trademarks	(5,736)	-
Net cash used in investing activities	(32,171)	(69,849)
Financing activities		
Proceeds from issuance of common shares	-	1,282,263
Proceeds from exercise of warrants	-	9,567
Net cash provided by financing activities	-	1,291,830
Change in cash and cash equivalents	285,323	1,114,167
Cash and cash equivalents, beginning of year	1,463,405	349,238
Cash and cash equivalents, end of year	\$ 1,748,728	\$ 1,463,405

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

RIWI CORP.

Notes to the Financial Statements

Years ended December 31, 2018 and 2017

(Expressed in U.S. Dollars)

1. NATURE OF OPERATIONS

RIWI is a public company and its shares are all common shares 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 Company's 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. The Company also maintains an office in Vancouver, BC.

RIWI is a global trend-tracking and prediction technology firm. Our patented, cloud-based software solutions provide a global digital intelligence platform to clients seeking real-time citizen sentiment data anywhere in the world in order to make faster, improved decision-making to grow their earnings, assess consumer behavior, and to monitor and reduce violent conflict. Our platform can be accessed by users within any large enterprise customer, offering our clients continuous, live data feeds and constantly updating analytics. RIWI's machine-learning properties provide real-time applied analytics, forecasts, and data aggregation for our customers seeking actionable business insights, eliminating the need for labour-intensive manual computations. The Company earns revenues through monthly and annual subscriptions and long-term, multi-year agreements with clients in three business lines: Global Private Enterprise, Global Security, and Global Citizen Engagement.

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 year ended December 31, 2018, the Company had net income of \$416,536 (2017 – net loss of \$746,272) and net cash provided by operating activities of \$317,494 (2017 – net cash used by operating activities of \$107,814). As at December 31, 2018, the Company had an accumulated deficit of \$3,605,252 (December 31, 2017 – \$4,310,756). The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and/or to generate positive cash flows from operations. 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

These financial statements have been prepared in accordance with *International Financial Reporting Standards* ("IFRS") issued by the *International Accounting Standards Board* ("IASB") and interpretations issued by the *International Financial Reporting Interpretations Committee* ("IFRIC").

These financial statements were authorized for issuance by the Company's Board of Directors on March 7, 2019.

These 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.

RIWI CORP.

Notes to the Financial Statements

Years ended December 31, 2018 and 2017

(Expressed in U.S. Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Use of estimates and judgments

The preparation of these 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 in years prior to 2018 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.

RIWI CORP.

Notes to the Financial Statements

Years ended December 31, 2018 and 2017

(Expressed in U.S. Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Adoption of new and amended accounting pronouncements

(i) IFRS 9, Financial Instruments ("IFRS 9")

Effective January 1, 2018, the Company adopted IFRS 9, which includes revised guidance on the classification and measurement of financial instruments, new guidance for measuring impairment on financial assets, and new hedge accounting guidance.

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVTOCI"), and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminated the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead the hybrid financial instruments as a whole is assessed for classification. IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

The adoption of IFRS 9 has not had a significant effect on the Company's financial reporting related to financial assets and financial liabilities and had no measurement impact.

(ii) IFRS 15, Revenue from Contracts with Customers ("IFRS 15")

The Company has adopted IFRS 15, Revenue from Contracts with Customers using the cumulative effect method with an initial adoption date of January 1, 2018. Accordingly, the information presented for 2017 has not been restated and continues to be reported under the Company's previous revenue recognition policy. The Company began recognizing revenue over time from January 1, 2018 for contracts that were not fully completed as at the date of transition, as an adjustment to the accumulated deficit as at January 1, 2018. The adoption of IFRS 15 resulted in an adjustment to decrease the accumulated deficit as at January 1, 2018 by \$317,395, with corresponding adjustments to decrease deferred revenue by \$311,495 and increase unbilled revenue by \$5,900 as at January 1, 2017. Please see Note 14 for additional details.

(c) Accounting pronouncements issued but not yet effective

IFRS 16, Leases ("IFRS 16")

In January 2016, the IASB issued IFRS 16, Leases. The mandatory effective date of IFRS 16 is for annual periods beginning on or after January 1, 2019. The Company adopted IFRS 16 effective January 1, 2019. 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 Company is currently in the process of calculating the impact of IFRS 16 on its financial statements.

(d) Cash and cash equivalents

Cash consists of cash held on deposit in bank accounts and short-term guaranteed investments that can be readily converted into cash.

RIWI CORP.

Notes to the Financial Statements

Years ended December 31, 2018 and 2017

(Expressed in U.S. Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and impairment losses. Depreciation is recorded over the useful lives of the assets using the straight-line method.

The Company conducts an annual assessment of the residual balances, useful lives and depreciation methods being used for property and equipment, and any changes in estimates arising from the assessment are applied by the Company prospectively.

An item of property and equipment is derecognized upon disposal, when held for sale or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the statement of comprehensive loss.

(f) Intangible assets

The costs of acquiring intangible assets are capitalized when they meet the criteria in IAS 38 – *Intangible Assets*. Costs are amortized using the straight-line method over the estimated useful life of the intangible asset.

(g) Impairment

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. 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. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the statement of loss and comprehensive loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the statement of loss and comprehensive loss.

(h) Revenue, Unbilled Revenue and Deferred Revenue

The Company receives payments from customers based on previously agreed upon billing schedules, as established in each contract. The timing of revenue recognition, billings and cash collections might result in the recognition of: (x) accounts receivable; (y) unbilled revenue; and (z) deferred revenue on the Statement of Financial Position.

Generally, billing occurs after revenue recognition, resulting in unbilled revenue until billing occurs. However, if the Company receives deposits from customers before revenue is recognized, the payments are recognized as deferred revenue. Deferred revenue is recognized as revenue when the Company performs under the contract.

RIWI CORP.

Notes to the Financial Statements

Years ended December 31, 2018 and 2017

(Expressed in U.S. Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Interest income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

(j) Share-based payments

The grant date fair value of share-based payment awards granted to employees (including directors, senior executives and consultants, which meet the definition of an “employee” under IFRS 2 *Share-based Payment*) is recognized as share-based payment 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 do 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.

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the “vesting date”). The cumulative expense is recognized for equity-settled transactions at each reporting date reflecting the Company’s best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of income/(loss) and comprehensive income/(loss) for a period represents the movement in cumulative expense recognized as at the beginning and end of that period, and the corresponding amount is reflected in capital reserves.

(k) Foreign currencies and change in functional and presentation currency

Transactions in foreign currencies are translated to the Company’s functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to the Company’s functional currency at the period end exchange rate. Non-monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognized in the statement of income/(loss) and comprehensive income/(loss).

The Company changed its functional currency and presentation 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 the relevant underlying transactions of the Company, which have become predominantly denominated in U.S. dollars. Historical financial information has been restated to U.S. dollars for comparative purposes, using the exchange rate as at January 1, 2018, which is the date of the change in the functional currency and presentation currency.

RIWI CORP.

Notes to the Financial Statements

Years ended December 31, 2018 and 2017

(Expressed in U.S. Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Taxation

Income tax expense represents the sum of current income tax expense and deferred income tax expense. Current income tax expense is based on taxable income for the year. Income tax is recognized in the statement of income/(loss) and comprehensive income/(loss) except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current income tax is the expected income tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax assets and liabilities are recognized based on differences in the financial statement carrying amount for assets and liabilities and the associated tax balance.

Deferred income tax liabilities are generally recognized for all taxable temporary differences. Temporary differences are not provided for goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable loss and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred income tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

Deferred income tax assets are generally recognized for all deductible temporary differences, unused tax credits carried forward and unused tax losses to the extent that it is probable that there will be taxable income against which deductible temporary differences can be utilized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities, when they relate to income taxes levied by the same taxation authority and when the Company intends to settle its current income tax assets and liabilities on a net basis.

(m) Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and common share warrants are recognized as a deduction from equity. Common shares issued for non-monetary consideration are measured based on their market value at the date the common shares are issued.

The Company has adopted the relative fair value method with respect to the measurement of common shares and warrants issued as equity units. The relative fair value method requires an allocation of the net proceeds received based on the pro rata relative fair value of the components. If and when the warrants are ultimately exercised, the applicable amounts are transferred from reserve for warrants to share capital.

(n) Income/(Loss) per share

The Company presents basic income/(loss) per share for its common shares, calculated by dividing the income/(loss) attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Financial assets

On initial recognition, a financial asset is classified as measured at amortized costs, FVTPL, or FVTOCI. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing 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 recognizes trade receivables initially when they are originated. All other financial assets are initially recognized when the Company becomes a party to the contractual provisions of the instrument. All trade receivables without a significant financing component as defined in IFRS 15 are initially measured at their transaction prices as defined in IFRS 15. All other financial assets are initially measured at fair value plus, for items not classified as FVTPL, transaction costs that are directly attributable to its acquisition.

Subsequent to initial recognition, financial assets as amortized costs are measured at 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 profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(p) Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities. The Company recognizes debt securities it issues when they originate. All other financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or, where appropriate, a shorter period.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Transaction costs on financial liabilities classified as FVTPL are expensed as incurred. Fair value changes on financial liabilities classified as FVTPL are recognized through the statement of comprehensive income/(loss). At the end of each reporting period subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognized directly in the statement of comprehensive loss in the period in which they arise.

(q) Impairment of financial assets

Under IFRS 9, the loss allowance for trade receivables must be calculated using the expected lifetime credit loss and recorded at the time of initial recognition. There is no significant effect on the carrying value of our financial instruments under IFRS 9 related to this new requirement.

RIWI CORP.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. Any increase in a provision due solely to the passage of time is recognized as interest expense.

(s) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions that are in the normal course of business and have commercial substance are measured at the exchange amount.

4. ACCOUNTS RECEIVABLE

Accounts receivable consists of trade receivables from clients. Please see Note 12(a) for aged trade receivable information.

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5. NON-CURRENT ASSETS

(a) Property and Equipment

Property and equipment consist of computers and leasehold improvements. The Company amortizes its computers using the straight-line method over 24 months. The Company is amortizing the leasehold improvements over the remaining term of its office lease, which terminates on May 31, 2023.

	Leasehold		
2017 (Restated - Note 3(k))	Computers	Improvements	Total
Cost:			
January 1, 2017	\$ -	\$ -	\$ -
Additions	996	-	996
December 31, 2017	996	-	996
Accumulated Amortization:			
January 1, 2017	-	-	-
Amortization	(249)	-	(249)
December 31, 2017	(249)	-	(249)
Carrying value:			
January 1, 2017	-	-	-
December 31, 2017	\$ 747	\$ -	\$ 747
2018			
	Computers	Leasehold	Total
		Improvements	
Cost:			
December 31, 2017	\$ 996	\$ -	\$ 996
Additions	2,910	31,496	34,406
December 31, 2018	3,906	31,496	35,402
Accumulated Amortization:			
December 31, 2017	(249)	-	(249)
Amortization	(1,358)	(4,860)	(6,218)
December 31, 2018	(1,607)	(4,860)	(6,467)
Carrying value:			
December 31, 2017	747	-	747
December 31, 2018	\$ 2,299	\$ 26,636	\$ 28,935

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Notes to the Financial Statements

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5. NON-CURRENT ASSETS (continued)

(b) Intangible Assets

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 is amortizing it using the straight-line method over 20 years.

The Company purchased Internet domain names in 2017 which have strategic value for current intellectual property development. The Company has classified the domain names as a finite life intangible asset and is amortizing 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. During the year, RIWI obtained the trademarks in the USA and the EU, and is currently waiting for the finalization of the Canadian trademark. 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.

2017 (Restated - Note 3(k))	Patent	Domain Names	Trademarks	Total
Cost:				
January 1, 2017	\$ 21,239	\$ -	\$ -	\$ 21,239
Additions	-	80,810	-	80,810
December 31, 2017	21,239	80,810	-	102,049
Accumulated Amortization:				
January 1, 2017	(3,257)	-	-	(3,257)
Amortization	(1,062)	(3,704)	-	(4,766)
December 31, 2017	(4,319)	(3,704)	-	(8,023)
Carrying value:				
January 1, 2017	17,982	-	-	17,982
December 31, 2017	\$ 16,920	\$ 77,106	\$ -	\$ 94,026
2018				
Cost:				
December 31, 2017	\$ 21,239	\$ 80,810	\$ -	\$ 102,049
Additions	-	-	5,736	5,736
December 31, 2018	21,239	80,810	5,736	107,785
Accumulated Amortization:				
December 31, 2017	(4,319)	(3,704)	-	(8,023)
Amortization	(8,276)	(8,081)	-	(16,357)
December 31, 2018	(12,595)	(11,785)	-	(24,380)
Carrying value:				
December 31, 2017	16,920	77,106	-	94,026
December 31, 2018	\$ 8,644	\$ 69,025	\$ 5,736	\$ 83,405

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Notes to the Financial Statements

Years ended December 31, 2018 and 2017

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6. SHARE CAPITAL

Authorized: unlimited number of common shares without par value.

Issued: As at December 31, 2018, the Company had 17,475,742 common shares issued and outstanding (December 31, 2017 – 17,261,647) having a carrying value of \$4,553,291 as at December 31, 2018 (December 31, 2017 – \$4,415,556).

Net income and comprehensive income were \$416,536 for the year ended December 31, 2018 (December 31, 2017 – net loss and comprehensive loss of \$746,272), and the basic and fully diluted net income per share was \$0.02 (December 31, 2017 – basic net loss per share \$0.04). The effect of the stock options and warrants at December 31, 2017 was anti-dilutive and the diluted loss per share was thus \$0.04.

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, 2016	2,439,900	\$ 0.66
Granted	520,000	2.02
Exercised	(1,180,298)	0.21
Balance, December 31, 2017	1,779,602	1.35
Granted	390,000	2.00
Exercised	(382,102)	0.59
Balance, December 31, 2018	1,787,500	\$ 1.66

In June 2017, 826,210 stock options were cashlessly exercised in exchange for 738,297 common shares. In July 2017, 354,088 stock options were cashlessly exercised in exchange for 317,953 common shares.

In April 2018, 28,000 stock options were cashlessly exercised in exchange for 15,635 common shares. In November 2018, 354,102 stock options were cashlessly exercised in exchange for 198,460 common shares.

The fair value for stock options granted have been estimated using the Black-Scholes option pricing model assuming no expected dividends. Expected volatility was based on an evaluation of the historical volatility of the Company's share price, particularly over the historical period commensurate with the expected term. The expected term of the instruments has been based on historical experience and general option holder behavior. The Company used the following assumptions for the year ended December 31, 2018 and 2017:

	2018	2017
Risk-free interest rate	1.89 - 1.93%	0.96 - 1.03%
Expected life (in years)	2.5 - 3.0 years	2.5 - 3.0 years
Expected volatility	102 - 105%	87 - 92%
Forfeiture rate	10%	10%

For the year ended December 31, 2018, the Company recorded share-based payment expense, with a corresponding credit to reserves of \$416,269 (2017 – \$323,913).

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Notes to the Financial Statements

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7. SHARE-BASED PAYMENTS (continued)

Additional information regarding stock options outstanding as at December 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)
\$ 0.86	595,000	1.3	595,000	\$ 0.86
\$ 2.00	590,000	4.2	577,500	\$ 2.00
\$ 2.01	120,000	3.7	60,000	\$ 2.01
\$ 2.04	200,000	3.5	200,000	\$ 2.04
\$ 2.14	232,500	2.5	232,500	\$ 2.14
\$ 2.51	50,000	2.2	50,000	\$ 2.51
\$ 1.66	1,787,500	2.8	1,715,000	\$ 1.64

8. SHARE PURCHASE WARRANTS

	Number of Warrants	Weighted average exercise price (CAD)
Balance, December 31, 2016	254,322	\$ 2.37
Issued	656,571	3.50
Exercised	(5,000)	2.40
Expired	(243,822)	2.40
Balance, December 31, 2017 and December 31, 2018	662,071	\$ 3.48

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

Number of warrants outstanding	Exercise price (CAD)	Expiry date
656,571	\$ 3.50	September 24, 2019
5,500	0.86	February 12, 2020
662,071		

On September 21, 2018, the Company announced that it extended the expiry date of 656,571 outstanding share purchase warrants which were issued as part of a non-brokered private placement completed by the Company on March 24, 2017. The share purchase warrants are exercisable for common shares of RIWI at a price of CAD \$3.50 per share. The expiry date of the share purchase warrants was extended for a period of 12 months from September 24, 2018 to September 24, 2019. All other terms of the share purchase warrants remain the same.

The Company treated the expiry of the share warrants as an extinguishment of the existing share warrants and recorded the fair value of the new share warrants issued under the new terms as at September 21, 2018. The fair value of \$268,019 increased the warrant reserves, with a corresponding reduction in other capital reserves and accumulated deficit offset against the extinguishment of the existing share warrants. The fair value under the new warrant terms was estimated using the Black-Scholes option pricing model assuming no expected dividends. Expected volatility has been based on an evaluation of the historical volatility of the Company's share price, particularly over the historical period commensurate with the expected term. The expected term of the warrants has been based on historical experience and general warrant holder behaviour. The Company used the following assumptions:

Risk-free interest rate	2.18%
Expected life	1.01 years
Expected volatility	158%
Forfeiture rate	0%

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9. GENERAL AND ADMINISTRATIVE EXPENSES

	2018	2017
Amortization	\$ 22,575	\$ 5,015
Professional and consulting fees	56,851	137,835
Salaries and benefits	1,071,190	738,646
Share-based payment expense	416,269	323,913
Rent and office expenses	229,071	111,950
Foreign exchange loss	34,894	46,692
General and administrative	\$ 1,830,850	\$ 1,364,051

10. INCOME TAXES

The following table reconciles the expected income tax recovery at Canadian statutory income tax rates to the amounts recognized in the statement of income/(loss) and comprehensive income/(loss) for the years ended December 31, 2018 and 2017:

	2018	2017
Pre-tax income/(loss) for the year	\$ 416,536	\$ (746,272)
Statutory tax rate	26.5%	26.5%
Tax (recovery) at statutory rate	110,382	(197,762)
Non-deductible expenses	194,662	86,073
Deferred tax assets not recognized/(utilized)	(305,044)	111,689
Income tax provision	\$ -	\$ -

The Company has deferred tax assets arising from the following sources, the benefits of which have not been recognized in these financial statements as their utilization in the foreseeable future is not currently considered probable:

	2018	2017
Non-capital losses expiring 2034-2037	\$ 1,766,613	\$ 3,057,802
Financing costs	29,537	46,514
Property, equipment and intangible assets	15,957	13,383
	1,812,107	3,117,699
Statutory tax rate	26.5%	26.5%
Total deferred tax assets not recognized	\$ 480,208	\$ 826,190

The Company has non-capital loss carryforwards of approximately \$1,766,613 (2017 – \$3,057,802) which may be carried forward to apply against future year income tax for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

2034	\$ 292,192
2035	41,790
2036	1,023,184
2037	409,447
	\$ 1,766,613

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11. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT PERSONNEL COMPENSATION

Related party transactions are comprised solely of compensation for the Company's key management personnel.

- (a) During September 2017, the Company's Chief Technology Officer ("CTO") transitioned from being a consultant to being appointed an officer of the Company. While the CTO was a consultant, his consulting fees were expensed as technology costs. As an officer of the Company, the CTO's salary is now being expensed under general and administrative expenses. For the year ended December 31, 2018, included in technology costs are consulting fees for the Company's CTO in the amount of \$nil (2017 – \$76,525).
- (b) For the year ended December 31, 2018, the Company recognized share-based payment expense of \$379,541 (2017 – \$223,123) for stock options granted to directors and officers.
- (c) For the year ended December 31, 2018, the Company incurred wages and benefits of \$589,778 (2017 – \$521,451) for the Company's senior management team, including CEO, CFO, CTO and Global Head, Citizen Engagement. The Company's directors are compensated through stock option grants.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

As at December 31, 2018, the Company's financial instruments are comprised of cash and cash equivalents, accounts receivable, 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 at December 31, 2018 as follows:

- Cash and cash equivalents – amortized cost
- Accounts receivable – amortized cost
- Accounts payable and accrued liabilities – other financial liabilities

Prior to the adoption of IFRS 9, the Company classified its financial instruments as follows:

- Cash and cash equivalents – loans and receivables
- Accounts receivable – 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.

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Notes to the Financial Statements

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12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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 +
December 31, 2018	70%	0%	26%	3%
December 31, 2017	88%	4%	8%	0%

For the year ended December 31, 2018, three customers individually contributed 10% or more to the Company's accounts receivables. Those customers contributed 33%, 27%, and 26% respectively.

For the year ended December 31, 2017, two customers individually contributed 10% or more to the Company's accounts receivables. Those customers contributed 42% and 17% respectively.

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 has a \$nil balance for allowance for doubtful accounts as at January 1, 2017, December 31, 2017, and December 31, 2018.

The following table identifies customers comprising 10% or more of the Company's revenue for the years ended December 31, 2018 and December 31, 2017:

	December 31, 2018	December 31, 2017
Customer A	22%	0%
Customer B	17%	0%
Customer C	13%	10%

(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.

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12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(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 (CAD\$). The Company has not entered into foreign exchange rate contracts to mitigate this risk.

As at December 31, 2018, financial instruments were converted at a rate of US\$1.00 to CAD\$1.3642. Balances denominated in foreign currencies as at December 31, 2018 were as follows:

	In CAD	Converted to USD
Cash and cash equivalents	\$ 190,541	\$ 139,672
Accounts Receivable	56,500	41,416
Accounts Payable	228,522	167,513

The estimated impact on net income for the year ended December 31, 2018 with a +/- 10% change in Canadian Dollar exchange rate is approximately \$26,000.

(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.

13. SEGMENT REPORTING

The Company is required to disclose certain information regarding operating segments, products, services and geographic areas. Operating segments are defined as components of an enterprise for which separate financial information is available that is regularly evaluated by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The Company's chief operating decision maker is the Chief Executive Officer. The Company operates as one reportable segment for 2018.

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

	December 31, 2018	December 31, 2017
United States of America	\$ 1,639,570	\$ 595,331
Canada	549,763	142,160
Europe	416,093	394,734
Other	62,251	213,832
	<u>\$ 2,667,677</u>	<u>\$ 1,346,057</u>

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14. CHANGE IN ACCOUNTING POLICY FOR REVENUE RECOGNITION

Prior to January 1, 2018, revenue generated from surveys delivered by the Company was recognized when the survey was complete and collection of the revenue was reasonably assured. Revenue reported in these financial statements for the year ended December 31, 2017 was recognized based on this revenue recognition policy as the Company adopted IFRS 15 based on the cumulative effect method.

Effective January 1, 2018, the Company adopted IFRS 15, which introduced a single model for recognizing revenue from contracts with customers. This standard applies to all contracts with customers, with only some exceptions, including certain contracts accounted for under other IFRSs. The standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services. This is achieved by applying the following five steps:

1. identify the contract with a customer;
2. identify the performance obligations in the contract;
3. determine the transaction price;
4. allocate the transaction price to the performance obligations in the contract; and
5. recognize revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 also provides guidance relating to the treatment of contract acquisition and contract fulfillment costs. In accordance with IFRS 15, effective January 1, 2018, the Company recognizes revenue when a contract has been signed that identifies the rights and obligations of each party with respect to the contract, it is probable that the entity will collect the consideration it is entitled to in exchange for the services provided to date, and agreed upon milestones have been achieved. Under IFRS 15, revenues are recognized over time, as the services are performed. The Company has applied the practical expedient in paragraph 121 of IFRS 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

In accordance with IFRS 15, assets shall be recognized for incremental costs of obtaining a contract and certain costs incurred to fulfill a contract. The Company has applied the practical expedient in paragraph 94 of IFRS 15, and recognizes the incremental costs of obtaining contracts as an expense when incurred if the amortization period of the assets that would have been recognized is one year or less. The adoption of IFRS 15 did not have a material effect to the Company's accounting for contract costs.

Generally, billing occurs after revenue recognition, resulting in unbilled revenue until billing occurs. However, if the Company receives deposits from customers before revenue is recognized, the payments are recognized as deferred revenue. Deferred revenue is recognized as revenue when the Company performs under the contract.

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Notes to the Financial Statements

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14. CHANGE IN ACCOUNTING POLICY FOR REVENUE RECOGNITION (continued)

The following table summarizes the impact of adopting IFRS 15 on the Company's financial statements for the year ended December 31, 2018:

	December 31, 2018		December 31, 2018
	As reported	Adjustments	without adoption of IFRS 15
Assets:			
Accounts receivable	\$ 151,479	\$ (59,850)	\$ 91,629
Unbilled revenue	580,507	(446,635)	133,872
Total assets	731,986	(506,485)	225,501
Liabilities:			
Deferred revenue	24,236	413,540	437,776
Shareholders' equity:			
Accumulated deficit	(3,605,252)	(920,025)	(4,525,277)
Total liabilities and shareholders' equity	(3,581,016)	(506,485)	(4,087,501)
	Year ended		Year ended
	December 31, 2018		December 31, 2018
	As reported	Adjustments	without adoption of IFRS 15
Revenues	2,667,677	(602,630)	2,065,047

The adoption of IFRS 15 had no impact to cash from or used in operating, financing, or investing activities on our consolidated statement of cash flows.

15. COMMITMENTS

The Company's head office currently shares space with a third-party firm. The total lease payments are \$8,686 per month beginning on June 1, 2018, increasing to \$8,789 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. The Company signed a short-term lease for its Vancouver office, which begins on January 1, 2019 and ends on June 30, 2019. The total lease payments are \$670 per month.

Contractual Obligations	Payments due by Period				
	Total	Jan. 1 - Dec. 31, 2019	Jan. 1, 2020 - Dec. 31, 2021	Jan. 1, 2022 - Dec. 31, 2023	Jan. 1, 2024 - beyond
Office leases	\$ 235,932	56,073	105,155	74,704	-