



# **RIWI CORP.**

## **CONDENSED INTERIM FINANCIAL STATEMENTS**

**For the Three Months ended March 31, 2020 and 2019**

(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, 2020 and December 31, 2019  
(Unaudited and Expressed in U.S. Dollars)

	March 31, 2020	December 31, 2019
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 3,217,855	\$ 3,047,399
Accounts receivable (Note 4)	1,166,140	155,530
Unbilled revenue (Note 10)	358,598	762,283
Prepaid expenses and other current assets	55,243	57,494
<b>Total current assets</b>	<b>4,797,836</b>	4,022,706
Property and equipment (Note 5(a))	20,444	21,436
Right-of-use assets (Note 6)	135,836	146,560
Intangible assets (Note 5(b))	77,281	78,104
Deferred tax asset (Note 12)	184,000	184,000
<b>Total assets</b>	<b>\$ 5,215,397</b>	<b>\$ 4,452,806</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 414,863	\$ 128,253
Current portion of lease obligations (Note 9)	44,726	43,909
Deferred revenue (Note 10)	33,860	91,010
	<b>493,449</b>	263,172
Non-current lease obligations (Note 9)	107,229	118,689
<b>Total liabilities</b>	<b>600,678</b>	381,861
<b>Shareholders' equity</b>		
Share capital (Note 7)	\$ 4,881,049	\$ 4,782,546
Contributed surplus (Note 7)	1,930,670	1,983,835
Accumulated deficit	(2,196,999)	(2,695,436)
<b>Total shareholders' equity</b>	<b>4,614,719</b>	4,070,945
<b>Total liabilities and shareholders' equity</b>	<b>\$ 5,215,397</b>	<b>\$ 4,452,806</b>

Nature of business and continuing operations (Note 1)

Approved and authorized for issuance on behalf of the Board on April 28, 2020.

*"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.**

Condensed Interim Statements of Income and Comprehensive Income  
For the Three Months ended March 31, 2020 and 2019  
(Unaudited and Expressed in U.S. Dollars)

	Three Months Ended March 31	
	2020	2019
Revenues (Note 10)	\$ 1,322,216	\$ 673,575
Expenses		
General and administrative (Note 11)	289,680	223,391
Sales and marketing (Note 11)	381,999	104,517
Technology costs (Note 11)	160,757	116,141
Total expenses	832,437	444,049
Earnings before interest and taxes	489,779	229,526
Net interest income	8,658	7,374
Net income and comprehensive income	\$ 498,437	\$ 236,900
Net income per share		
Basic and diluted	\$ 0.03	\$ 0.01
Weighted average number of common shares outstanding		
Basic	17,857,382	17,476,853
Diluted	18,949,882	19,249,853

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

**RIWI CORP.**

Condensed Interim Statements of Changes in Equity  
For the Three Months ended March 31, 2020 and 2019  
(Unaudited and Expressed in U.S. Dollars)

	Number of Shares	Share Capital Amount	Contributed Surplus	Accumulated Deficit	<b>Total Equity</b>
Balance, December 31, 2018	17,475,742	\$ 4,553,291	\$ 1,502,004	\$ (3,605,252)	\$ 2,450,043
Share-based payment expense	-	-	2,650	-	2,650
Stock options exercised	20,000	17,250	(4,444)	-	12,806
Net income and comprehensive income for the period	-	-	-	236,900	236,900
<b>Balance, March 31, 2019</b>	<b>17,495,742</b>	<b>\$ 4,570,541</b>	<b>\$ 1,500,211</b>	<b>\$ (3,368,352)</b>	<b>\$ 2,702,400</b>
Balance, December 31, 2019	17,751,700	4,782,546	1,983,836	(2,695,436)	4,070,946
Stock options exercised	182,728	98,503	(53,166)	-	45,336
Net income and comprehensive income for the period	-	-	-	498,437	498,437
<b>Balance, March 31, 2020</b>	<b>17,934,428</b>	<b>\$ 4,881,049</b>	<b>\$ 1,930,670</b>	<b>\$ (2,196,999)</b>	<b>\$ 4,614,719</b>

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

**RIWI CORP.**

Condensed Interim Statements of Cash Flows  
 For the Three Months ended March 31, 2020 and 2019  
 (Unaudited and Expressed in U.S. Dollars)

	Three Months Ended	
	March 31	
	<b>2020</b>	2019
<b>Operating activities</b>		
Net income for the period	\$ 498,437	\$ 236,900
Less: non-operating net interest income	(8,658)	(10,323)
Items not involving cash:		
Amortization of property and equipment, right-of-use assets, and intangible assets	13,437	13,909
Share-based payment expense	-	2,650
	<b>503,217</b>	243,136
Changes in non-cash operating working capital:		
Accounts receivable	(1,010,610)	(110,857)
Unbilled revenue	403,685	98,832
Prepaid expenses and other assets	2,251	(629)
Accounts payable and accrued liabilities	286,610	(65,125)
Deferred revenue	(57,150)	3,215
<b>Net cash generated by operating activities</b>	<b>128,002</b>	168,573
<b>Investing activities</b>		
Interest income	11,080	10,323
Additions of property and equipment, right-of-use assets, and intangible assets	(898)	-
<b>Net cash provided by investing activities</b>	<b>10,181</b>	10,323
<b>Financing activities</b>		
Lease payments	(13,065)	(13,769)
Exercise of stock options	45,337	17,250
<b>Net cash provided by financing activities</b>	<b>32,272</b>	3,481
Change in cash and cash equivalents	170,456	182,376
Cash and cash equivalents, beginning of the period	3,047,399	1,748,728
<b>Cash and cash equivalents, end of the period</b>	<b>\$ 3,217,855</b>	\$ 1,931,104

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

**RIWI CORP.**

Notes to the Condensed Interim Financial Statements  
Three Months ended March 31, 2020 and 2019  
(Unaudited and Expressed in U.S. Dollars)

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**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 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 assist in decision making primarily related to earnings, assessing consumer behavior, and monitoring and reducing violent conflict.

These unaudited condensed interim financial statements of the Company for the three months ended March 31, 2020 (the "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, 2020, the Company had net income of \$498,437 (2019 – \$236,900) and net cash provided by operating activities of \$128,002 (2019 – \$168,573). As at March 31, 2020, the Company had an accumulated deficit of \$2,196,999 (December 31, 2019 – \$2,695,436). The continuing operations of the Company are dependent upon its ability to continue to generate positive cash flows from operations and/or raise adequate financing if and when necessary. 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") 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, 2019. These 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, 2019. Interim results are not necessarily indicative of the results expected for the fiscal year.

These Financial Statements were authorized for issuance by the Company's Board of Directors on April 28, 2020.

These Financial Statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at amortized cost, consistent with the Company's significant accounting policies.

**RIWI CORP.**

Notes to the Condensed Interim Financial Statements  
Three Months ended March 31, 2020 and 2019  
(Unaudited and Expressed in U.S. Dollars)

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**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

Prior to 2018, the Company incurred losses 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. 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

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 Condensed Interim Financial Statements  
 Three Months ended March 31, 2020 and 2019  
 (Unaudited and Expressed in U.S. Dollars)

**4. ACCOUNTS RECEIVABLE**

Accounts receivable consists of trade receivables from clients. Please see Note 14(a) for aged trade receivable information.

**5. NON-CURRENT ASSETS**

## (a) Property and Equipment

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

	Leasehold		
<b>2019</b>	Computers	Improvements	Total
<b>Cost:</b>			
December 31, 2018	\$ 7,640	\$ 31,496	\$ 39,136
Additions	311	-	311
Assets retired	(4,730)	-	(4,730)
<b>December 31, 2019</b>	<b>3,221</b>	<b>31,496</b>	<b>34,717</b>
<b>Accumulated depreciation:</b>			
December 31, 2018	(5,341)	(4,860)	(10,201)
Depreciation	(1,756)	(6,054)	(7,810)
Assets retired	4,731	-	4,731
<b>December 31, 2019</b>	<b>(2,366)</b>	<b>(10,914)</b>	<b>(13,280)</b>
<b>Carrying value:</b>			
December 31, 2018	2,299	26,636	28,935
<b>December 31, 2019</b>	<b>\$ 854</b>	<b>\$ 20,582</b>	<b>\$ 21,436</b>
	Leasehold		
<b>2020</b>	Computers	Improvements	Total
<b>Cost:</b>			
December 31, 2019	\$ 3,221	\$ 31,496	\$ 34,717
Additions	898	-	898
<b>March 31, 2020</b>	<b>4,119</b>	<b>31,496</b>	<b>35,615</b>
<b>Accumulated depreciation:</b>			
December 31, 2019	(2,366)	(10,914)	(13,280)
Additions	(385)	(1,506)	(1,891)
<b>March 31, 2020</b>	<b>(2,751)</b>	<b>(12,420)</b>	<b>(15,171)</b>
<b>Carrying value:</b>			
December 31, 2019	854	20,582	21,436
<b>March 31, 2020</b>	<b>\$ 1,368</b>	<b>\$ 19,076</b>	<b>\$ 20,444</b>

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

## (b) Intangible Assets

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

The Company owns US Patent #8,069,078. This patent, which expires in July 2030, 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 2019, 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 obtaining the trademarks, the Company is amortizing them using the straight-line method over 10 years.

In 2019, the Company updated its website to ensure technical privacy compliance. The Company is amortizing this capital expenditure using the straight-line method over 3 years.

<b>2019</b>	Patent	Domain Names	Trademarks	Website	Total
Cost:					
December 31, 2018	\$ 21,239	\$ 80,810	\$ 5,736	\$ -	\$ 107,785
Additions	-	-	-	5,072	5,072
December 31, 2019	21,239	80,810	5,736	5,072	112,857
Accumulated Amortization:					
December 31, 2018	(12,595)	(11,785)	-	-	\$ (24,380)
Amortization	(1,062)	(8,081)	(524)	(704)	(10,372)
December 31, 2019	(13,658)	(19,866)	(524)	(704)	(34,752)
Carrying value:					
December 31, 2018	8,644	69,025	5,736	-	83,405
December 31, 2019	\$ 7,581	\$ 60,944	\$ 5,212	\$ 4,367	\$ 78,104
<b>2020</b>	Patent	Domain Names	Trademarks	Website	Total
Cost:					
December 31, 2019	\$ 21,239	\$ 80,810	\$ 5,736	\$ 5,072	\$ 112,857
Additions	-	-	-	-	-
March 31, 2020	21,239	80,810	5,736	5,072	112,857
Accumulated Amortization:					
December 31, 2019	(13,658)	(19,866)	(524)	(704)	\$ (34,752)
Amortization	(164)	(2,020)	(112)	(423)	(2,719)
Adjustment to Patent	1,896	-	-	-	1,896
March 31, 2020	(11,926)	(21,886)	(637)	(1,127)	(35,576)
Carrying value:					
December 31, 2019	7,581	60,944	5,212	4,367	78,104
<b>March 31, 2020</b>	<b>\$ 9,313</b>	<b>\$ 58,924</b>	<b>\$ 5,099</b>	<b>\$ 3,945</b>	<b>\$ 77,281</b>

**RIWI CORP.**

Notes to the Condensed Interim Financial Statements  
 Three Months ended March 31, 2020 and 2019  
 (Unaudited and Expressed in U.S. Dollars)

**6. RIGHT-OF-USE ASSETS**

The following table presents the Company's right-of-use assets, which is comprised of its head office lease.

	Right-of-use assets
<b>2019</b>	
Cost:	
January 1, 2019	\$ 189,455
Additions	-
December 31, 2019	189,455
Accumulated Amortization:	
January 1, 2019	-
Amortization	(42,895)
December 31, 2019	(42,895)
Carrying value:	
January 1, 2019	189,455
December 31, 2019	\$ 146,560
<b>2020</b>	
Cost:	
December 31, 2019	\$ 189,455
Additions	-
March 31, 2020	189,455
Accumulated Amortization:	
December 31, 2019	(42,895)
Amortization	(10,724)
March 31, 2020	(53,619)
Carrying value:	
December 31, 2019	146,560
<b>March 31, 2020</b>	<b>\$ 135,836</b>

Amortization in the amount of \$10,724 has been included under general and administrative expenses for the three months ended March 31, 2020 (2019 – \$9,411).

**7. SHARE CAPITAL**

Authorized: unlimited number of common shares without par value.

Issued: As at March 31, 2020, the Company had 17,934,428 common shares issued and outstanding (March 31, 2019 – 17,495,742) having a carrying value of \$4,881,049 as at March 31, 2020 (March 31, 2019 – \$4,570,541).

Net income and comprehensive income were \$498,437 for the three months ended March 31, 2020 (three months ended March 31, 2019 – \$236,900), and the basic and diluted net income per share was \$0.03 (2019 – \$0.01).

**RIWI CORP.**

Notes to the Condensed Interim Financial Statements  
 Three Months ended March 31, 2020 and 2019  
 (Unaudited and Expressed in U.S. Dollars)

**7. SHARE CAPITAL** (continued)

Contributed surplus reconciliation is noted below:

	Share-based Payment Reserve	Warrants Reserve	Other Capital Reserves	Total Contributed Surplus
Balance, December 31, 2018	1,204,706	269,269	28,030	1,502,005
Share-based payment expense	2,650	-	-	2,650
Stock options exercised	(4,444)	-	-	(4,444)
Balance, March 31, 2019	1,202,912	269,269	28,030	1,500,211
Balance, December 31, 2019	1,590,080	-	393,756	1,983,836
Stock options exercised	(53,166)	-	-	(53,166)
<b>Balance, March 31, 2020</b>	<b>1,536,914</b>	<b>-</b>	<b>393,756</b>	<b>1,930,670</b>

In September 2019, 656,571 share purchase warrants expired without being exercised. In November 2019, the final 5,500 share purchase warrants were exercised in exchange for 5,500 common shares, leaving the Company with no outstanding share purchase warrants as at December 31, 2019.

**8. 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, 2018	1,787,500	\$ 1.66
Exercised	(20,000)	0.86
Balance, March 31, 2019	1,767,500	\$ 1.67
Balance, December 31, 2019	1,757,500	2.10
Exercised	(245,000)	0.86
Balance, March 31, 2020	1,512,500	\$ 2.30

During the three months ended March 31, 2020, 70,000 stock options were exercised in exchange for 70,000 common shares and 175,000 stock options were cashlessly exercised in exchange for 112,728 common shares.

For the three months ended March 31, 2020, the Company recorded share-based payment expense, with a corresponding credit to reserves of \$nil (March 31, 2019 – \$2,650).

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Notes to the Condensed Interim Financial Statements  
 Three Months ended March 31, 2020 and 2019  
 (Unaudited and Expressed in U.S. Dollars)

**8. SHARE-BASED PAYMENTS** (continued)

Additional information regarding stock options outstanding as at March 31, 2020 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	70,000	0.2	70,000	\$ 0.86
\$ 2.00	590,000	2.9	590,000	\$ 2.00
\$ 2.04	200,000	2.2	200,000	\$ 2.04
\$ 2.14	232,500	1.2	232,500	\$ 2.14
\$ 2.51	50,000	0.9	50,000	\$ 2.51
\$ 3.25	370,000	4.1	370,000	\$ 3.25
\$ 2.30	1,512,500	2.7	1,512,500	\$ 2.30

**9. LEASE OBLIGATIONS**

The Company's head office currently shares space with a third-party firm, and it is responsible for 50% of the monthly lease payments. The Company's total lease payments are currently CAD \$5,925 (US \$4,176) per month, increasing to CAD \$5,995 (US \$4,226) per month on June 1, 2020. The office lease expires on May 31, 2023.

As at	March 31, 2020	December 31, 2019
Current portion of lease obligations	\$ 44,726	\$ 43,909
Non-current lease obligations	107,229	118,689
Lease obligations	\$ 151,955	\$ 162,598

For the three months ended March 31, 2020, the lease accretion was \$10,643 and the payments totaled \$13,065. For the year ended December 31, 2019, the lease accretion was \$41,013 and the payments totaled \$41,568.

**10. REVENUE**

## (a) Revenue streams

The Company generates revenue primarily from the provision of analytical solutions to its clients in the form of compilation, analysis and communication of real time data. All the Company's revenue is generated from contracts from customers in relation to the Company's principal activities. RIWI's revenue disaggregated by geographical locations is analyzed in Note 15.

## (b) Performance obligations and revenue recognition

RIWI records revenue from contracts with customers in accordance with the five steps in *IFRS 15, Revenue from Contracts with Customers* as follows:

- (i) identify the contract with a customer;
- (ii) identify the performance obligations in the contract;
- (iii) determine the transaction price, which is the total consideration provided by the customer;
- (iv) allocate the transaction price among the performance obligations in the contract based on their relative fair values; and
- (v) recognize revenue when the relevant criteria are met for each performance obligation.

Revenue is measured based on the consideration specified in the contract. The Company recognizes revenue over time as it transfers control of its services based on the delivery milestones outlined in the contract. Progress is determined based on completion of standard milestones (i.e. output method).

**RIWI CORP.**

Notes to the Condensed Interim Financial Statements  
Three Months ended March 31, 2020 and 2019  
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**10. REVENUE** (continued)

## (c) Estimate and judgments

RIWI uses estimates in determining the standalone selling price of performance obligations and allocation of the transaction price between performance obligations. In determining the standalone selling price, we allocate revenue between performance obligations based on the expected enforceable amounts to which RIWI is entitled.

## (d) Unbilled revenue and deferred revenue

Unbilled revenue relates to RIWI's right to consideration for work completed but not yet billed at the reporting date. RIWI transfers unbilled revenue to accounts receivable on invoicing. Below is a summary of unbilled revenue from contracts with customers and the significant changes in those balances during the three months ended March 31, 2020 and 2019.

	Three Months Ended March 31	
	2020	2019
Balance, beginning of the period	\$ 762,283	\$ 580,507
Additions during the period (net of terminations)	386,706	361,158
Amortization of unbilled revenue to accounts receivable	(790,391)	(459,990)
Balance, end of the period	\$ 358,598	\$ 481,675

Deferred revenue primarily relates to advance consideration received from customers for services yet to be performed. Deferred revenue will be recognized as revenue over time as RIWI achieves the delivery milestones. Below is a summary of deferred revenue from contracts with customers and the significant changes in those balances during the three months ended March 31, 2020 and 2019.

	Three Months Ended March 31	
	2020	2019
Balance, beginning of the period	\$ 91,010	\$ 24,236
Revenue deferred in previous period and recognized as revenue in current period	(474,000)	(17,100)
Net additions from contracts with customers	416,850	25,700
Balance, end of the period	\$ 33,860	\$ 32,836

**RIWI CORP.**

Notes to the Condensed Interim Financial Statements  
Three Months ended March 31, 2020 and 2019  
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**11. OPERATING EXPENSES**

Effective January 1, 2020, the Company modified its classification of operating expenses by nature, including allocating personnel costs between the general and administrative, sales and marketing, and technology expense categories. Previously, all of the Company's employee salaries and benefit costs were allocated to the general and administrative expense category. The comparative historical information has been updated to reflect the allocation.

## (a) General and Administrative Expenses

	Three Months Ended March 31	
	2020	2019
Personnel costs	\$ 165,229	\$ 145,941
Consulting and professional fees	17,365	14,425
Share-based payment expense	-	2,650
Occupancy and office costs	47,518	45,979
Depreciation	13,438	13,909
Foreign exchange loss	46,131	487
	<u>\$ 289,680</u>	<u>\$ 223,391</u>

## (b) Sales and Marketing Expenses

	Three Months Ended March 31	
	2020	2019
Personnel costs	\$ 130,144	\$ 95,743
Third party consulting fees	52,500	8,000
Travel and promotion	1,277	-
Recruiting fees	41,797	-
Strategic partnership payments	155,580	-
Other marketing expenses	701	774
	<u>\$ 381,999</u>	<u>\$ 104,517</u>

## (c) Technology Expenses

	Three Months Ended March 31	
	2020	2019
Personnel costs	\$ 48,084	\$ 49,079
Third party consulting fees	3,236	1,275
Project costs	109,437	65,787
	<u>\$ 160,757</u>	<u>\$ 116,141</u>

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**12. TAX NOTE**

As stated in Note 3(a) above, the Company reassesses unrecognized income tax assets on an annual basis. The following table reconciles the expected income tax recovery at Canadian statutory income tax rates to the amounts recognized in the statement of income and comprehensive income for the years ended December 31, 2019 and 2018:

	2019	2018
Pre-tax income for the year	\$ 725,816	\$ 416,535
Statutory rate	26.5%	26.5%
Tax (recovery) at statutory rate	192,341	110,382
Non-deductible expenses	144,797	194,662
Deferred tax assets utilized	(337,138)	(305,044)
Recognition of previously unrecognized deferred tax assets	(184,000)	-
Tax/(recovery) per statement of income	\$ (184,000)	\$ -

The Company has recorded deferred tax assets/(liabilities) as follows, the benefits of which had not been recognized until the year ended December 31, 2019:

	2019	2018
Non-capital loss	\$ 170,560	\$ 468,152
Financing costs	3,328	7,827
Lease obligations	43,088	-
Property, equipment and intangible assets	5,882	4,229
Total deferred tax assets	222,858	480,208
Deferred tax assets not recognized	-	(480,208)
Deferred tax liability - right-of-use assets	(38,858)	-
Net deferred tax assets	\$ 184,000	\$ -

**13. RELATED PARTY TRANSACTIONS**

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

- (a) For the three months ended March 31, 2020, the Company recognized share-based payment expense of \$nil (three months ended March 31, 2019 – \$2,650) for stock options granted to one officer.

**14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

As at March 31, 2020, 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 March 31, 2020 as follows:

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



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

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 Fair Value Through the Statement of Profit or Loss.

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, 2020	100%	0%	0%	0%
December 31, 2019	52%	48%	0%	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 has a \$nil balance for allowance for doubtful accounts as at March 31, 2020 and December 31, 2019.

The following table identifies customers comprising 10% or more of the Company's revenue for the three months ended March 31, 2020 and March 31, 2019:

	March 31, 2020	March 31, 2019
Customer A	59%	0%
Customer B	13%	30%

**(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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**14. 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; the majority of the Company's operating expenses are in Canadian dollars; 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, 2020, financial instruments were converted at a rate of US\$1.00 to CAD\$1.4187. Balances denominated in foreign currencies as at March 31, 2020 were as follows:

	In CAD	Converted to USD
Cash and cash equivalents	\$ 438,786	\$ 309,300
Accounts receivable	28,250	19,913
Accounts payable and accrued liabilities	195,283	137,655

The estimated impact on net income for the three months ended March 31, 2020 with a +/- 10% change in Canadian Dollar exchange rate is approximately \$7,000 (2019 – \$2,000).

## (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.

**15. 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 2020.

The approximate sales revenue based on geographic location of customers for the three months ended March 31, 2020 and 2019 is as follows:

	March 31, 2020	March 31, 2019
United States of America	\$ 393,125	\$ 515,526
Canada	912,096	40,045
Europe	16,995	118,004
Other	-	-
	\$ 1,322,216	\$ 673,575

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**16. COVID-19 OUTBREAK**

On January 30, 2020, the World Health Organization (“WHO”) declared the ongoing COVID-19 outbreak a global health emergency and on March 11, 2020, the WHO expanded its classification of the outbreak to a pandemic. Federal, state, provincial and municipal governments in Canada have begun enacting measures to combat the spread of COVID-19. The COVID-19 outbreak continues to rapidly evolve and is causing business disruptions across the entire global economy and society.

The Company has determined that these events are non-adjusting events. Accordingly, the financial position and results of operations as of and for the three months ended March 31, 2020 have not been adjusted to reflect their impact. The Company has taken measures to mitigate risks of COVID-19, including: closing its offices and having all staff work from home; enacting strict travel restrictions in accordance with provincial and federal rules; and recommending all staff to practice safe physical distancing in accordance with the guidelines of the health authorities.

The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Company for future periods.