



RIWI CORP.

CONDENSED INTERIM FINANCIAL STATEMENTS

For the Three and Nine Months ended September 30, 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 September 30, 2020 and December 31, 2019
(Unaudited and Expressed in U.S. Dollars)

	September 30, 2020	December 31, 2019
Assets		
Current assets		
Cash and cash equivalents	\$ 3,240,487	\$ 3,047,399
Accounts receivable (Note 4)	1,421,280	155,530
Unbilled revenue (Note 10(d))	236,182	762,283
Prepaid expenses and other current assets	71,261	57,494
Total current assets	4,969,210	4,022,706
Property and equipment (Note 5(a))	19,195	21,436
Right-of-use assets (Note 6)	114,388	146,560
Intangible assets (Note 5(b))	71,717	78,104
Deferred tax asset (Note 12)	184,000	184,000
Total assets	\$ 5,358,510	\$ 4,452,806
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 248,368	\$ 128,253
Current portion of lease obligations (Note 9)	46,190	43,909
Deferred revenue (Note 10(d))	67,198	91,010
	361,756	263,172
Non-current lease obligations (Note 9)	83,788	118,689
Total liabilities	445,544	381,861
Shareholders' equity		
Share capital (Note 7)	\$ 4,940,930	\$ 4,782,546
Contributed surplus (Note 7)	1,977,434	1,983,835
Accumulated deficit	(2,005,398)	(2,695,436)
Total shareholders' equity	4,912,966	4,070,945
Total liabilities and shareholders' equity	\$ 5,358,510	\$ 4,452,806

Nature of business and continuing operations (Note 1)

Approved and authorized for issuance on behalf of the Board on November 10, 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 and Nine Months ended September 30, 2020 and 2019
 (Unaudited and Expressed in U.S. Dollars)

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
Revenues (Note 10)	\$ 940,019	\$ 1,006,367	\$ 3,262,900	\$ 2,521,373
Expenses				
General and administrative (Note 11)	316,508	225,874	1,033,167	1,225,162
Sales and marketing (Note 11)	304,199	128,274	942,300	346,316
Technology costs (Note 11)	247,786	117,058	615,449	344,495
Total expenses	868,493	471,206	2,590,916	1,915,973
Earnings before interest and taxes	71,527	535,161	671,985	605,400
Net interest income	2,931	8,812	18,054	24,422
Net income and comprehensive income	\$ 74,458	543,974	\$ 690,038	629,822
Net income per share				
Basic	\$ 0.00	\$ 0.03	\$ 0.04	\$ 0.04
Diluted	\$ 0.00	\$ 0.03	\$ 0.04	\$ 0.03
Weighted average number of common shares outstanding				
Basic	18,004,428	17,639,492	17,937,964	17,576,108
Diluted	19,446,928	19,209,492	19,380,464	19,146,108

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

RIWI CORP.

Condensed Interim Statements of Changes in Equity

For the Three and Nine Months ended September 30, 2020 and 2019

(Unaudited and Expressed in U.S. Dollars)

	Number of Shares	Share Capital Amount	Contributed Surplus	Accumulated Deficit	Total Equity
Balance, December 31, 2018	17,475,742	\$ 4,553,291	\$ 1,502,004	\$ (3,605,252)	2,450,043
Share-based payment expense	-	-	541,043	-	541,043
Stock options exercised	173,000	149,758	(38,616)	-	111,142
Net income and comprehensive income for the period	-	-	-	629,822	629,822
Balance, September 30, 2019	17,648,742	\$ 4,703,049	\$ 2,004,432	\$ (2,975,430)	\$ 3,732,050
Balance, December 31, 2019	17,751,700	4,782,546	1,983,836	(2,695,436)	4,070,946
Share-based payment expense	-	-	61,664	-	61,664
Stock options exercised	252,728	158,384	(68,066)	-	90,318
Net income and comprehensive income for the period	-	-	-	690,038	690,038
Balance, September 30, 2020	18,004,428	\$ 4,940,930	\$ 1,977,434	\$ (2,005,398)	\$ 4,912,966

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

RIWI CORP.

Condensed Interim Statements of Cash Flows

For the Three and Nine Months ended September 30, 2020 and 2019

(Unaudited and Expressed in U.S. Dollars)

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
Operating activities				
Net income for the period	\$ 74,458	\$ 543,974	\$ 690,038	\$ 629,822
Less: non-operating net interest income	(2,931)	(8,812)	(18,054)	(24,422)
Items not involving cash:				
Amortization of property and equipment, right-of-use assets, and intangible assets	15,611	15,287	44,532	45,624
Share-based payment expense	30,832	-	61,664	541,043
	117,970	550,449	778,180	1,192,067
Changes in non-cash operating working capital:				
Accounts receivable	(1,286,652)	4,829	(1,265,750)	(177,016)
Unbilled revenue	426,475	(270,181)	526,101	(523,116)
Prepaid expenses and other assets	(559)	22,511	(13,767)	25,134
Accounts payable and accrued liabilities	198,013	(27,433)	120,115	(82,244)
Deferred revenue	47,050	(12,908)	(23,812)	60,889
Net cash generated/(used) by operating activities	(497,703)	267,267	121,067	495,714
Investing activities				
Interest income	5,037	8,812	24,760	24,422
Additions of property and equipment, right-of-use assets, and intangible assets	(1,355)	(5,384)	(3,731)	(5,384)
Net cash provided by investing activities	3,682	3,428	21,029	19,038
Financing activities				
Lease payments	(13,228)	(13,239)	(39,326)	(31,084)
Exercise of stock options	-	14,906	90,319	111,142
Net cash provided/(used) by financing activities	(13,228)	1,667	50,993	80,059
Change in cash and cash equivalents	(507,249)	272,362	193,088	594,811
Cash and cash equivalents, beginning of the period	3,747,736	2,071,177	3,047,399	1,748,728
Cash and cash equivalents, end of the period	\$ 3,240,487	\$ 2,343,539	\$ 3,240,487	\$ 2,343,539

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

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Notes to the Condensed Interim Financial Statements
Three and Nine Months ended September 30, 2020 and 2019
(Unaudited and Expressed in U.S. Dollars)

1. NATURE OF OPERATIONS

RIWI is a public company and its shares are all common shares listed on the TSX Venture Exchange (TSXV: RIWI). 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 consumer and citizen sentiment data anywhere in the world in order to improve business performance, evaluate program effectiveness, enhance customer engagement, and to monitor and reduce emerging threats and violent conflict.

These unaudited condensed interim financial statements of the Company for the three and nine months ended September 30, 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 September 30, 2020, the Company had net income of \$74,458 (three months ended September 30, 2019 – \$543,974) and net cash used in operating activities of \$497,703 (2019 net cash generated – \$267,267). For the nine months ended September 30, 2020, the Company had net income of \$690,038 (nine months ended September 30, 2019 – \$629,822) and net cash provided by operating activities of \$121,067 (2019 – \$495,714). As at September 30, 2020, the Company had an accumulated deficit of \$2,005,398 (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 November 10, 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.

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Notes to the Condensed Interim Financial Statements
Three and Nine Months ended September 30, 2020 and 2019
(Unaudited and 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

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.

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Notes to the Condensed Interim Financial Statements
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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.

	2019		2020	
	Computers	Leasehold Improvements	Computers	Leasehold Improvements
Cost:				
December 31, 2018	\$ 7,640	\$ 31,496		
Additions	311	-		
Assets retired	(4,730)	-		
December 31, 2019	3,221	31,496		
Accumulated depreciation:				
December 31, 2018	(5,341)	(4,860)		
Depreciation	(1,756)	(6,054)		
Assets retired	4,730	-		
December 31, 2019	(2,367)	(10,914)		
Carrying value:				
December 31, 2018	2,299	26,636		
December 31, 2019	\$ 854	\$ 20,582		
Cost:				
December 31, 2019	\$ 3,221	\$ 31,496		
Additions	3,731	-		
September 30, 2020	6,953	31,496		
Accumulated depreciation:				
December 31, 2019	(2,367)	(10,914)		
Additions	(1,455)	(4,518)		
September 30, 2020	(3,822)	(15,432)		
Carrying value:				
December 31, 2019	854	20,582		
September 30, 2020	\$ 3,130	\$ 16,064		

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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 ongoing intellectual property development. The Company has classified the domain names as finite life intangible assets 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.

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.

2019	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
2020	Patent	Domain Names	Trademarks	Website	Total
Cost:					
December 31, 2019	\$ 21,239	\$ 80,810	\$ 5,736	\$ 5,072	\$ 112,857
Additions	-	-	-	-	-
September 30, 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	(619)	(6,061)	(337)	(1,268)	(8,284)
Adjustment to Patent	1,896	-	-	-	1,896
September 30, 2020	(12,380)	(25,927)	(861)	(1,972)	(41,140)
Carrying value:					
December 31, 2019	7,581	60,944	5,212	4,367	78,104
September 30, 2020	\$ 8,859	\$ 54,883	\$ 4,875	\$ 3,099	\$ 71,717

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Notes to the Condensed Interim Financial Statements
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 (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.

2019	Right-of-use assets
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
2020	Right-of-use assets
Cost:	
December 31, 2019	\$ 189,455
Additions	-
September 30, 2020	189,455
Accumulated Amortization:	
December 31, 2019	(42,895)
Amortization	(32,172)
September 30, 2020	(75,067)
Carrying value:	
December 31, 2019	146,560
September 30, 2020	\$ 114,388

Amortization in the amount of \$32,172 has been included under general and administrative expenses for the nine months ended September 30, 2020 (2019 – \$32,172).

7. SHARE CAPITAL

Authorized: unlimited number of common shares without par value.

Issued: As at September 30, 2020, the Company had 18,004,428 common shares issued and outstanding (September 30, 2019 – 17,648,742) having a carrying value of \$4,940,930 as at September 30, 2020 (September 30, 2019 – \$4,703,049).

Net income and comprehensive income were \$74,458 for the three months ended September 30, 2020 (three months ended September 30, 2019 – \$543,974), and the basic and diluted net income per share was \$0.00 (2019 – \$0.03).

Net income and comprehensive income were \$690,038 for the nine months ended September 30, 2020 (nine months ended September 30, 2019 – \$629,822), and the basic net income per share was \$0.04 (2019 – \$0.04), and the diluted net income per share was \$0.04 (2019 – \$0.03).

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Notes to the Condensed Interim Financial Statements
 Three and Nine Months ended September 30, 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	269,268	28,029	1,502,003
Share-based payment expense	541,043	-	-	541,043
Warrants Expired	-	(268,020)	268,020	-
Stock options exercised	(38,616)	-	-	(38,616)
Balance, September 30, 2019	1,707,133	1,249	296,049	2,004,430
Balance, December 31, 2019	1,590,080	-	393,756	1,983,836
Share-based payment expense	61,664	-	-	61,664
Stock options exercised	(68,066)	-	-	(68,066)
Balance, September 30, 2020	1,583,678	-	393,756	1,977,434

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 maximum of 3,600,885 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 five 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
Granted	370,000	3.25
Exercised	(173,000)	0.86
Balance, September 30, 2019	1,984,500	\$ 2.01
Balance, December 31, 2019	1,757,500	2.10
Granted	88,812	3.56
Exercised	(315,000)	0.86
Balance, September 30, 2020	1,531,312	\$ 2.44

During the nine months ended September 30, 2020, 140,000 stock options were exercised in exchange for 140,000 common shares and 175,000 stock options were cashlessly exercised in exchange for 112,728 common shares.

On May 22, 2020, the Company granted an aggregate of 88,812 stock options to certain independent directors. These stock options expire on May 22, 2025, and are exercisable at a price of CAD\$3.56 per share. These options vest 25% on each of the following dates: June 30, 2020; September 30, 2020; December 31, 2020; and March 31, 2021.

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Notes to the Condensed Interim Financial Statements

Three and Nine Months ended September 30, 2020 and 2019

(Unaudited and Expressed in U.S. Dollars)

8. SHARE-BASED PAYMENTS (continued)

The fair value for stock options granted have been estimated using the Black-Scholes option pricing model assuming no expected dividends and the following weighted average assumptions:

	2020	2019
Risk-free interest rate	0.34%	1.59%
Expected life	2.9 years	2.5 years
Expected volatility	118%	123%
Forfeiture rate	10%	10%

For the three months ended September 30, 2020, the Company recorded share-based payment expense, with a corresponding credit to reserves of \$30,832 (three months ended September 30, 2019 – \$nil). For the nine months ended September 30, 2020, the Company recorded share-based payment expense, with a corresponding credit to reserves of \$61,664 (nine months ended September 30, 2019 – \$541,043).

Additional information regarding stock options outstanding as at September 30, 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)
\$ 2.00	590,000	2.4	590,000	\$ 2.00
\$ 2.04	200,000	1.7	200,000	\$ 2.04
\$ 2.14	232,500	0.7	232,500	\$ 2.14
\$ 2.51	50,000	0.4	50,000	\$ 2.51
\$ 3.25	370,000	3.6	370,000	\$ 3.25
\$ 3.56	88,812	4.6	44,406	\$ 3.56
\$ 2.44	1,531,312	2.4	1,486,906	\$ 2.44

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 lease payments are CAD \$5,995 (US \$4,494) per month and the office lease expires on May 31, 2023.

As at	September 30, 2020	December 31, 2019
Current portion of lease obligations	\$ 46,190	\$ 43,909
Non-current lease obligations	83,788	118,689
Lease obligations	\$ 129,978	\$ 162,598

For the nine months ended September 30, 2020, the lease accretion was \$32,619 and the payments totaled \$39,292. For the year ended December 31, 2019, the lease accretion was \$41,013 and the payments totaled \$41,568.

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Notes to the Condensed Interim Financial Statements
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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).

(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.

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Notes to the Condensed Interim Financial Statements
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(Unaudited and Expressed in U.S. Dollars)

10. REVENUE (continued)

(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 nine months ended September 30, 2020 and 2019.

	Nine Months Ended September 30	
	2020	2019
Balance, beginning of the period	\$ 762,283	\$ 580,507
Additions during the period (net of terminations)	1,498,963	1,462,664
Amortization of unbilled revenue to accounts receivable	(2,025,064)	(939,548)
Balance, end of the period	\$ 236,182	\$ 1,103,623

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 nine months ended September 30, 2020 and 2019.

	Nine Months Ended September 30	
	2020	2019
Balance, beginning of the period	\$ 91,010	\$ 24,236
Revenue deferred in previous period and recognized as revenue in current period	(770,721)	(164,519)
Net additions from contracts with customers	746,908	225,408
Balance, end of the period	\$ 67,198	\$ 85,125

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Notes to the Condensed Interim Financial Statements

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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		Nine Months Ended	
	September 30		September 30	
	2020	2019	2020	2019
Personnel costs	\$ 112,650	\$ 134,689	\$ 430,178	\$ 427,554
Director cash compensation	86,933	-	262,836	-
Consulting and professional fees	36,669	21,416	75,233	50,907
Share-based payment expense	30,832	-	61,664	541,043
Occupancy and office costs	32,306	55,477	118,104	161,150
Depreciation	15,611	15,287	44,533	45,625
Foreign exchange loss/(gain)	1,507	(995)	40,619	(1,117)
	\$ 316,508	\$ 225,874	\$ 1,033,167	\$ 1,225,162

(b) Sales and Marketing Expenses

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2020	2019	2020	2019
Personnel costs	\$ 174,851	\$ 103,570	\$ 501,230	\$ 301,759
Third party consulting fees	65,968	11,167	164,223	19,167
Promotion and Travel	3,895	13,537	19,543	25,390
Recruiting fees	7,624	-	49,863	-
Strategic partnership payments	51,860	-	207,440	-
	\$ 304,199	\$ 128,274	\$ 942,300	\$ 346,316

(c) Technology Expenses

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2020	2019	2020	2019
Personnel costs	\$ 35,845	46,190	\$ 130,487	\$ 150,946
Third party consulting fees	9,372	589	28,487	2,378
Project costs	202,569	70,279	456,475	191,171
	\$ 247,786	\$ 117,058	\$ 615,449	\$ 344,495

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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

- (a) For the nine months ended September 30, 2020, the Company provided cash compensation to independent directors in the amount of \$262,836 (nine months ended September 30, 2019 – \$nil), and recognized share-based payment expense of \$61,664 (nine months ended September 30, 2019 – \$541,043) for stock options granted to independent directors and one officer.
- (b) In April 2020, the Company entered into a consulting agreement with a former director of the Company, who is a relative of a current director, for assistance on technical matters, such as the generation of new or additive intellectual property for the Company, and sales. The consideration for services provided is a monthly fixed fee of CAD \$6,500 and a 15% commission of any sales generated by this individual. The Company may, at any given time, give 30 days' advance notice to terminate this consulting agreement. The terms and conditions of these transactions were no more favorable than those available, or which might reasonably be expected to be available, in similar transactions with non-key management personnel related companies on an arm's length basis. For the nine months ended September 30, 2020, the transaction value in relation to this consulting contract amounted to \$24,619 (September 30, 2019 – \$nil). The balance payable at September 30, 2020 is \$nil (September 30, 2019 – \$nil).
- (c) The Company entered into an office lease agreement in a building owned by an officer of the Company starting on September 1, 2020 that enables safe physical distancing for staff and clients. The monthly rent is CAD \$2,300 which is no more favorable than rent in similar transactions with non-key management personnel on an arm's length basis. The Company may, at any given time, give 60 days' advance notice to terminate this lease agreement. For the nine months ended September 30, 2020, the transaction value of this lease agreement amounted to \$1,756 (September 30, 2019 – \$nil).

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14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

As at September 30, 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 follows:

- Cash and cash equivalents – amortized cost
- Accounts receivable – amortized cost
- 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 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 +
September 30, 2020	42%	3%	55%	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 September 30, 2020 and December 31, 2019.

The following table identifies customers comprising 10% or more of the Company's revenue for the nine months ended September 30, 2020 and September 30, 2019:

	September 30, 2020	September 30, 2019
Customer A	32%	0%
Customer B	21%	31%
Customer C	11%	6%

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14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(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.

(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 September 30, 2020, financial instruments were converted at a rate of US\$1.00 to CAD\$1.3339. Balances denominated in foreign currencies as at September 30, 2020 were as follows:

	In CAD	Converted to USD
Cash and cash equivalents	\$ 44,696	\$ 33,508
Accounts receivable	1,099,201	824,071
Accounts payable and accrued liabilities	244,875	183,583

The estimated impact on net income for the nine months ended September 30, 2020 with a +/- 10% change in Canadian Dollar exchange rate is approximately \$21,000 (2019 – \$19,000).

(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.

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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 nine months ended September 30, 2020 and 2019 is as follows:

	September 30, 2020	September 30, 2019
United States of America	\$ 1,017,458	\$ 1,248,406
Canada	1,900,152	814,782
Europe	345,290	306,685
Other	-	151,500
	<u>\$ 3,262,900</u>	<u>\$ 2,521,373</u>

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, 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's third quarter revenue and profits were affected during a period of organizational change for certain of RIWI's clients amid COVID-19. As a result of operational interruptions facing RIWI's clients, the Company encountered postponements of the initiation of certain projects by clients, and experienced delayed receivables for completed work. RIWI invested substantially during the third quarter of 2020 in sales personnel, sales-related marketing, and sales and technical partnership initiatives for long-term growth.

The Company has determined that the above-noted events related to COVID-19 are non-adjusting events, as its core business strategy continues uninterrupted. 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.