



# RIWI CORP.

## MANAGEMENT'S DISCUSSION & ANALYSIS

**For the Three Months Ended March 31, 2021 and 2020**

Containing information up to and including April 28, 2021

(Expressed in United States Dollars)

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**MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

Management's discussion and analysis ("MD&A") details RIWI Corp.'s ("RIWI" or the "Company") operating results and financial condition as at and for the three months ended March 31, 2021 and 2020, and is prepared as at April 28, 2021. This MD&A should be read in conjunction with the Company's unaudited condensed interim financial statements for the three months ended March 31, 2021 and the notes thereto which were prepared in accordance with *International Financial Reporting Standards* ("IFRS") (collectively referred to as the "Financial Statements"), which are available on [www.sedar.com](http://www.sedar.com). Other information contained in this document has also been prepared by management and is consistent with the data contained in the Financial Statements.

Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with IFRS. The Company's certifying Officers, based on their knowledge, having exercised reasonable diligence, are also responsible to ensure that these filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by these filings, and these Financial Statements together with the other financial information included in these filings fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented in these filings.

The Board of Directors approves the Financial Statements and MD&A and ensures that management has discharged its financial responsibilities. The Board's review is accomplished principally through the Audit Committee, which meets periodically to review all financial reports, prior to filing.

**CAUTION REGARDING FORWARD-LOOKING INFORMATION**

This MD&A contains forward-looking information, future-oriented financial information, or financial outlooks (collectively, "forward-looking information"), which includes disclosure regarding possible events, conditions or financial performance that is based on assumptions about future economic conditions and courses of action. Often, but not always, forward-looking information can be identified by the use of words such as "plans", "seeks," "expects" or "does not expect", "is expected", "estimates", "intends", "anticipates", "projects", "budgets", "forecasts", "does not anticipate", "believes", "objective", "strives" or variations of such words and phrases, or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved.

Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking information prove incorrect, actual results, performance or achievement may vary materially from those expressed or implied by the forward-looking information contained in this MD&A. These risk factors should be carefully considered and readers are cautioned not to place undue reliance on forward-looking information, which speaks only as of the date of this MD&A. All subsequent forward-looking information attributable to the Company herein is expressly qualified in its entirety by the cautionary statements contained in or referred to herein. The Company does not undertake any obligation to release publicly any revisions to this forward-looking information to reflect events or circumstances that occur after the date of this MD&A or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.

**ADDITIONAL INFORMATION**

Additional information relating to the Company is available from the SEDAR website at [www.sedar.com](http://www.sedar.com), under the Company's profile.

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### **RIWI OVERVIEW**

RIWI Corp. ("RIWI" or the "Company") is a public company and its shares are all common shares listed on the TSX Venture Exchange (TSXV: RIWI). The Company was incorporated under the laws of Canada pursuant to the Canada Business Corporations Act on August 17, 2009 while the Founder and Chief Executive Officer led a research unit affiliated with Massey College in the University of Toronto. The Company later fully commercialized in 2017, when it hired a full-time Chief Technology Officer, a full-time Chief Financial Officer, and the Chief Executive Officer and Founder stopped his University teaching responsibilities. 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.

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.

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 advance warnings for customers seeking data-enabled business insights, eliminating the need for: (a) labour-intensive manual computations, (b) online survey panel firms in different countries, (c) market research insights professionals in different countries, (d) external statistical firms or, (e) the collection, storage or transfer of any personally identifiable data. The Company earns revenues through monthly, quarterly, and annual subscriptions and through long-term, multi-year agreements with clients.

Our global platform and data-delivery dashboards offer customers high-frequency, broad-based, and scientifically rigorous sentiment data from the most diverse online audiences available in the global data marketplace in order to predict and monitor volatility that may impact a client's business operations, customer demands or risk in any region of the world. RIWI functions as a DaaS ("data as a service") recurring-revenue business powered by proprietary machine-learning systems and methods. We offer clients Web-based dashboards with continually updating data, analytics, forecasts, map visualizations, and downloadable reports.

Our global flow of source data is unique, expanding, and exclusive to RIWI. We have collected response data from more than 1.6 billion interviewees in 229 countries and territories without collecting any personally identifiable information. Our technology has been extensively peer-reviewed and enjoys growing, recurring usage by top-tier clients working on otherwise impossible or labour-intensive data collection challenges, such as gaining advance predictions on: (i) rates of manufacturing and economic activity in China, (ii) surprises in nonfarm payrolls, unemployment and department store sales in the United States, and (iii) real-time COVID-19 testing activity, changing adherence to public health protocols, vaccine uptake, and symptoms globally.

#### **1. RIWI Highlights for the three months ended March 31, 2021 - in US Dollars:**

- a) RIWI posted \$1,095,205 in revenue, its third-highest revenue quarter since the Company's inception.
- b) RIWI incurred a net loss of \$42,639 for the three months ended March 31, 2021, due to: (i) RIWI's strategic investment from its cash reserves into the recruitment of new sales personnel with expertise in RIWI's priority sales portfolios, and (ii) strategic investments made in technical personnel and other resources to expand the Company's competitive moat and sales through new feature development and the evaluation of third-party datasets. Also contributing to the Company's small net loss in the first quarter was the timing of compensation to the Company's independent directors (\$86,171 in cash and \$65,728 in non-cash share-based payment expense in 2021, compared to \$nil in 2020).
- c) On March 16, RIWI signed a contract valued at \$740,000 with the CDC-funded Global Health Crisis Coordination Center ("GHC3") to assist with the SARS-CoV-2 Vaccines Information Equity and Demand Creation Project. The client enjoys the right to expand the value of this contract to meet new needs.
- d) RIWI has initiated a proactive investor relations and financial public relations campaign to increase the Company's exposure to US retail and institutional investors, research analysts and financial media. To lead this campaign, RIWI engaged Barwicki Investor Relations during the first quarter of 2021.

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- e) RIWI has won awards and recognition that include the following new developments:
  - i) RIWI was recognized by *The Financial Times* as one of the top Americas' Fastest Growing Companies for a second consecutive year, ranking 9th among companies listed on stock exchanges. More than 90% of the 500 companies ranked in 2021 were privately held. Out of the millions of active companies in North and South America reviewed for this award, 500 firms placed in the list, and RIWI's overall rank on this list was 159th in 2021.
  - ii) RIWI's CEO was a Top 30 Finalist for the Sternfels Prize for Drug Safety Discoveries for applying online data innovation collection techniques and RIWI technology to the monitoring of potential safety issues associated with COVID-19 vaccinations across the world in real-time.
  - iii) RIWI's Mercedes Fogarassy represented Canada at the United Nations 54th Commission on Population and Development to deliver Canada's national statement, using empirical findings to reinforce the importance of and Canada's commitment to food security and nutrition, sustainable food systems and agriculture, sexual and reproductive health rights, and the disproportionate impact that COVID-19 has had on women and girls across the world.
  - iv) Our data partnership with the Investigative Journalism Bureau at the University of Toronto's Dalla Lana School of Public Health and published by The Toronto Star, entitled "Generation Distress," was announced as a finalist for the CJF Jackman Award for Excellence in Journalism.
  - v) Members of our executive team were appointed to mentorship roles for their leadership in data innovation for global public health security and for the collection of high-quality data across China; specifically, our CEO was appointed as a Senior Fellow at the Institute for Health Policy, Management and Evaluation at the University of Toronto, and our Head of Research was appointed as a Senior Distinguished Fellow at the Asia-Pacific Council of Canada.

## 2. RIWI's Focus on Year-over Year Growth and Capital Allocation Learnings for Improved Growth

As management has noted in the past, our firm's growth is best evaluated on a calendar year basis. Our revenue growth can vary year-over-year, and especially quarter-over-quarter. Therefore, RIWI's performance should be looked at on an annual basis over time to evaluate how we are meeting our goals. In addition to calendar year revenue performance and growth, management tracks its performance for each successive trailing 12-month period to evaluate the extent to which new capital allocations are yielding benefits for the Company's growth and innovation agenda. For the trailing 12 months ended March 31, 2021, RIWI had revenues of \$4,353,727 compared to \$3,759,520 for the 12 months ended March 31, 2020, a year-over-year increase of 16%. For the calendar year 2020, our revenues increased 47% on a year-over-year basis from 2019. Monitoring these performance data provides management with insights into how to best scale our business. We have learned that in order for RIWI to win multi-stakeholder, large sales contracts such as the GH3C contract announced in the first quarter of 2021 – and other multi-million dollar proposals currently in the sales pipeline with strategic partners – we need to invest some of our cash from operations to recruit new sales and business development personnel with deep, demonstrable expertise in RIWI's priority sales portfolios. Management expects to hire additional people with deep expertise in 2021 to increase our win rate for large sales contracts.

Certain multi-stakeholder projects can introduce procurement delays during the sales process owing to the need for multiple parties to agree to all contractual terms, along with milestone delays after the project start since multiple stakeholders need to confirm satisfaction with RIWI deliverables. However, management has learned that the calendar year revenue growth benefits of investing in expert personnel provides us with substantial revenue benefits over time. This is why management, in the first quarter of 2021, engaged: (a) a US-based sales professional to lead our growing financial services practice who possesses over 15 years of sales and business development experience increasing recurring revenues for institutional clients while working for Morgan Stanley, Zacks Investment Research, and MSCI; (b) a US-based physician-researcher with more than 25 years of clinical and health policy research experience to help grow revenues in our public health security sales portfolio; and (c) a US-based PhD specialist in data science and social psychology to ensure customer delivery excellence and business development across all our sales portfolios to help us win new, large contracts.

Our technology innovation during the first quarter of 2021 supports the scalability of these types of large revenue streams, such as the GHC3 engagement funded by the US Centers for Disease Control and Prevention. Our platform's infrastructure is now able to support multiple long-term, very large data collection initiatives simultaneously. We have adopted this infrastructure enhancement across all of our sales portfolios.

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**3. RIWI's Focus on Balancing our Four Portfolio Sales Areas for Improved Scalability**

As we noted in the December 31, 2020 Management's Discussion and Analysis, RIWI is committed to focusing on our four key sales portfolios. These are the areas where, based on historical data and customer feedback, RIWI has the most advantages to win new business. These revenue portfolios are: (a) public health security; (b) global citizen engagement; (c) China "truth-seeking"; and (d) investment and economic insights.

In the past, our work has been over-weighted in personnel toward global citizen engagement, our most mature sales portfolio in terms of longevity. At this stage of our Company's growth, to ensure strong growth and deeper reach into new markets and access to new clients, management has balanced sales, marketing and technological investments equally across our sales portfolios, and seeks to also balance government-funded and private-sector clients. Our confidential data collection initiatives on behalf of clients in international security (i.e., G7 agencies whose legal mandate is to keep citizens secure from harm) remains healthy, long-term and intact, yet sits outside of our four sales revenue portfolios. This is because security work is inbound in nature, and RIWI is eligible to receive task orders for new security contracts rapidly at any time.

**4. RIWI's Focus on Building our Competitive Moat through Innovation and Customer Feedback**

Our evolution as a Company from ad hoc, rapid-response data collection to much more long-term data collection has introduced new challenges that we have overcome and has offered us new opportunities that extend beyond revenue growth. Specifically, we have implemented data workflows and end-to-end processing pipelines to attract new, data-sophisticated customers who can benefit from these workflows. We can expect new, alternate analysis techniques to arise from these changes to enable new insights of value for our clients. Our clients increasingly rely on our expertise and technology to compare data sources and to apply advanced statistical techniques for enhanced insights. Management feels that all of these developments have increased our competitive moat in the data marketplace as measured by our customer feedback data from our clients' data scientists. Further, as our client base has become more sophisticated and more international in scope, we have gained more industry-specific and geography-specific insights to better serve future customers.

To further grow our competitive moat, we have introduced new custom processes and workflows to optimize large data capture and analysis in order to meet our customers' needs for scale and automated analytics. Some of the optimizations include comparative analysis and modelling tools which our clients can leverage to support their dynamic analytical needs. Although our technology platform remains customer-driven in terms of overall new feature developments, we have introduced additional features to support our sales and business development initiatives. Specifically, many of these new features serve as opportunities for client prospects to test our services, our time-series tools, as well as to provide our sales team with early feedback in our product development cycles across all four of our sales portfolios. As we have noted in past disclosures, RIWI's data marketplace partners include: Amazon Web Services, Battlefin, Bloomberg, Esri, EagleAlpha, Knoema, MiQ, ThinkData Works, Neudata and Vividata. In addition to integrating further with these partners and resellers – which promote our datasets to new buyers after their evaluation of the uniqueness of our offerings – RIWI has tasked a consultant engineer to the Company with seeking out, evaluating and testing new global datasets that can be additive in value to our existing offerings. Our CEO has also invested more of his time in working on innovation and data partnership discussions.

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**FINANCIAL RESULTS (in U.S. Dollars)**

The following is a discussion of the results of operations of the Company for the three months ended March 31, 2021 and 2020. The results should be read in conjunction with the unaudited interim condensed financial statements for the three months ended March 31, 2021 and 2020, and the related notes.

<b>Financial Results</b>	Three Months Ended March 31	
	2021	2020
Revenues	\$ 1,095,205	\$ 1,322,216
General and administrative expenses	(432,757)	(289,680)
Sales and marketing expenses	(407,381)	(381,999)
Technology costs	(287,595)	(160,758)
Net interest (expense)/income	(1,354)	8,658
Income tax expense	(8,757)	-
Net (loss)/income and comprehensive (loss)/income	\$ (42,639)	\$ 498,437
Net (loss)/income per share: basic and diluted	\$ (0.00)	\$ 0.03

  

	March 31, 2021	December 31, 2020
Total assets	\$ 5,224,138	\$ 5,476,332
Total non-current liabilities	59,636	71,803
Cash dividends	-	-

**1. Operating Expenses**

## (a) General and Administrative Expenses

	Three Months Ended March 31	
	2021	2020
Personnel costs	\$ 189,829	\$ 165,229
Director cash compensation	86,171	-
Consulting and professional fees	31,043	17,365
Share-based payment expense	65,728	-
Occupancy and office costs	51,791	47,517
Depreciation	15,902	13,438
Foreign exchange (gain)/loss	(7,707)	46,131
	\$ 432,757	\$ 289,680

## (b) Sales and Marketing Expenses

	Three Months Ended March 31	
	2021	2020
Personnel costs	\$ 271,990	\$ 130,144
Third party consulting fees	86,197	52,500
Promotion and travel	13,721	1,978
Recruiting fees	35,473	41,797
Strategic partnership payments	-	155,580
	\$ 407,381	\$ 381,999

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## (c) Technology Expenses

	Three Months Ended March 31	
	2021	2020
Personnel costs	\$ 59,185	\$ 48,084
Third party consulting fees	25,324	3,236
Project costs	203,086	109,438
	<u>\$ 287,595</u>	<u>\$ 160,758</u>

## (d) Government Subsidies

The governments of various jurisdictions have approved legislation and taken actions intended to aid businesses that have been adversely impacted by COVID-19. Some of these actions include providing subsidies to eligible entities to subsidize or offset qualifying expenses. RIWI received \$2,454 of the Canadian Emergency Wage Subsidy ("CEWS") subsidy from the Government of Canada during the three months ended March 31, 2021, and have recorded the CEWS subsidy received as a reduction in general and administrative expense of \$639, as a reduction in sales and marketing expenses of \$1,567 and as a reduction in technology expenses of \$258. RIWI received \$1,297 of the Canadian Emergency Rent Subsidy ("CERS") subsidy from the Government of Canada during the year ended March 31, 2021, and have recorded the CERS subsidy received as a reduction in general and administrative expense.

**2. Financial Performance for the three months ended March 31, 2021 and 2020**

Revenues are fees that are charged to customers for providing digital surveys or ad tests and automated analytics of the findings. RIWI's revenue for the three months ended March 31, 2021 decreased by 17% or \$227,011 to \$1,095,205 compared to \$1,322,216 for the three months ended March 31, 2020. The revenue decrease was affected by the nature of new, multi-stakeholder contracts which delay certain revenue recognition milestones. Revenue this quarter was RIWI's third-highest revenue quarter, and the Company remains committed to increasing its customer base and recurring revenue streams, along with focusing on sales activities for new markets.

Total operating expenses increased by \$295,450 for the three months ended March 31, 2021 compared to the three months ended March 31, 2020. The key expenses are summarized as follows:

- a) **General and administrative expenses** increased by \$143,077 to \$432,757 during the three months ended March 31, 2021 compared to the three months ended March 31, 2020. In the first quarter of 2021, the Company incurred cash compensation (\$86,171) and share-based payment expense (\$65,728) for its independent directors, compared to \$nil for the same period in 2020. In 2020, the decision to change the compensation model for the independent directors was made in the second quarter, so the first quarter of 2020 did not show any cash compensation or share-based payment expense. As well, the vesting periods for the stock option grants to the independent directors in 2021 coincides with the calendar year, compared to the stock option grants in 2020, where the vesting periods began in the second quarter and ended in the first quarter of 2021, resulting in a larger aggregate share-based compensation expense in the first quarter of 2021. Personnel costs increased slightly as the Company has grown, and professional fees increased due to the additional costs of being listed on the TSX Venture Exchange. The other general and administrative expenses did not materially fluctuate.
- b) **Sales and marketing expenses** increased by \$25,382 to \$407,381 during the three months ended March 31, 2021 compared to the three months ended March 31, 2020. Personnel costs and consulting fees increased as the Company hired additional staff and consultants related exclusively to sales and marketing. The strategic partnership payments in 2020 relate to external referral fee commissions paid in conjunction with certain sales contracts. The Company has not signed any such contracts in 2021. RIWI is committed to investing in sales and marketing initiatives in order to help grow to new markets and customers.

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- c) **Technology expenses** increased by \$126,837 to \$287,595 during the three months ended March 31, 2021 compared to the three months ended March 31, 2020. Project costs increased in 2021 due to data integration costs to address certain customer requests, including improving the ease and speed with which our channel partners can integrate and normalize our data streams in accordance with their technology architectures. Our channel partners can now more easily ingest and restructure RIWI's raw data to fit the parameters of their data delivery systems, which helps RIWI be customer-focused and helps RIWI and our partners source new clients who demand these services. RIWI also invested in additional internal projects to showcase our capabilities for the purpose of increasing sales. Technology costs not directly related to client projects increased due to data collection and the prototyping of new products and features following customer feedback, in order to sell these refined products to new and existing customers.

RIWI's loss before interest and taxes was \$32,682 for the three months ended March 31, 2021, compared to income before interest and taxes of \$489,779 for the three months ended March 31, 2020.

RIWI's income tax expense for the three months ended March 31, 2021 was \$8,757, compared to \$nil for the three months ended March 31, 2020. Although the Company had a pre-tax loss in the first quarter, after adjusting for the non-cash share-based payment expense (\$65,728), the Company had taxable income, resulting in the income tax expense. Prior to 2021, the Company assessed income tax matters on an annual basis, and the company had historical tax losses to use against any taxable income it generated.

RIWI incurred a net loss of \$42,793 for the three months ended March 31, 2021, compared to net income of \$498,437 for the three months ended March 31, 2020. RIWI remains committed to investing its cash reserves prudently to recruit new sales and business development personnel with deep expertise in RIWI's priority sales portfolios, and technical personnel and engineering resources to expand the Company's competitive moat through the evaluation and integration-testing of third-party datasets.

**SUMMARY OF QUARTERLY RESULTS**

This is a summary of selected results for the eight most recently completed quarters to March 31, 2021.

Summary of Quarterly Results <i>(in U.S. Dollars)</i>	2021		2020				2019		
	Mar. 31	Dec. 31	Sept. 30	Jun. 30	Mar. 31	Dec. 31	Sept. 30	Jun. 30	
Revenues	\$ 1,095,205	\$ 1,317,838	\$ 940,019	\$ 1,000,665	\$ 1,322,216	\$ 589,505	\$ 1,006,368	\$ 841,431	
Income/(loss) from operations	(32,528)	242,351	71,526	110,678	489,780	90,732	535,162	(159,287)	
Net income/(loss)	(42,639)	(33,504)	74,457	117,143	498,438	279,994	543,974	(151,052)	
Net income/(loss) per share:									
basic	\$ (0.00)	\$ (0.00)	\$ 0.00	\$ 0.01	\$ 0.03	\$ 0.02	\$ 0.03	\$ (0.01)	
diluted	\$ (0.00)	\$ (0.00)	\$ 0.00	\$ 0.01	\$ 0.03	\$ 0.01	\$ 0.03	\$ (0.01)	

RIWI has had strong revenue growth on an annual basis. RIWI continues to invest in sales and partnership initiatives to ensure long-term growth, along with continuing to focus on diversifying its client base, signing new long-term contracts and establishing strong recurring revenue streams.

**LIQUIDITY AND CAPITAL RESOURCES**

As at March 31, 2021, the Company had working capital of \$4,798,148 compared to working capital of \$4,782,818 as at December 31, 2020.

	March 31, 2021		December 31, 2020	
Current Assets	\$	5,029,267	\$	5,277,053
Current Liabilities		(231,119)		(494,235)
Working Capital	\$	4,798,148	\$	4,782,818



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**Contractual Obligations and Commitments**

The Company's head office currently shares space with a third-party firm, and RIWI is responsible for 50% of the monthly lease payments. The Company's lease payments are CAD \$5,968 (US \$4,746) per month and the office lease expires on May 31, 2023.

Contractual Obligations	Payments due by Period			
	Total	April 1, 2021 - Dec. 31, 2021	Jan. 1, 2022 - Dec. 31, 2024	Jan. 1, 2025 - beyond
Office leases	\$ 123,399	42,715	80,684	-

**CAPITAL STRUCTURE**

- a) **Common Shares:** As of April 28, 2021, the Company has 18,004,428 issued and outstanding common shares. The closing share price prior to April 28, 2021 was CAD \$2.14 per share.
- b) **Stock Options:** As of April 28, 2021, the Company has 1,626,452 options outstanding.

**Common Shares on a Diluted Basis – as of April 28, 2021**

Expiry date	Exercise Price (CAD)	Number of securities	Number of shares
Common shares issued and outstanding			18,004,428
Stock options, at weighted average exercise price			
expiring in the year ending: December 31, 2021	\$ 2.14	232,500	
December 31, 2022	\$ 2.02	400,000	
December 31, 2023	\$ 2.00	390,000	
December 31, 2024	\$ 3.25	370,000	
December 31, 2025	\$ 3.56	88,812	
December 31, 2026	\$ 2.47	145,140	
	\$ 2.44		1,626,452
Common shares, on a diluted basis			19,630,880

**OFF-BALANCE SHEET ARRANGEMENTS**

The Company has no off-balance sheet arrangements.

**RELATED PARTY TRANSACTIONS**

- (a) For the three months ended March 31, 2021, the Company provided cash compensation to independent directors in the amount of \$86,171 (2020 – \$nil), and recognized share-based payment expense of \$65,728 (2020 – \$nil) for stock options granted to independent directors.
- (b) The Company entered into an office lease agreement in a building owned by an officer of the Company starting on September 1, 2020 that enabled safe physical distancing for staff and clients. The monthly rent was CAD \$2,300. The Company terminated this lease on February 28, 2021. For the three months ended March 31, 2021, the expense recognized for this lease agreement was \$3,601 (2020 – \$nil).

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**FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS**

As at March 31, 2021, the Company's financial instruments are comprised of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities. The carrying values of these financial instruments 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:

**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, 2021	51%	5%	0%	44%
December 31, 2020	96%	4%	0%	0%

The accounts receivable beyond 91+ days relates to payment processing delays due to COVID-19, and management does not view these amounts to be at risk of collection.

At each period end, the Company reviews the collectability of outstanding accounts receivable and estimates a credit loss provision. 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, 2021 and December 31, 2020.

**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 its continuing operations.

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**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 and cash equivalents is denominated in Canadian dollars. The Company has not entered into foreign exchange rate contracts to mitigate this risk.

As at March 31, 2021, financial instruments were converted at a rate of US\$1.00 to CAD\$1.2575. Balances denominated in foreign currencies as at March 31, 2021 were as follows:

	In CAD	Converted to USD
Cash and cash equivalents	\$ 203,166	\$ 161,558
Accounts receivable	610,200	485,231
Accounts payable and accrued liabilities	201,187	159,984

The estimated impact on net income for the three months ended March 31, 2021 with a +/- 10% change in Canadian Dollar exchange rate is approximately \$66,000 (2020 – \$7,000).

**RECENT ACCOUNTING PRONOUNCEMENTS**

There are no recent accounting pronouncements that materially affect the Company.