



# RIWI CORP.

## MANAGEMENT'S DISCUSSION & ANALYSIS

**For the Three and Nine Months Ended September 30, 2021 and 2020**

Containing information up to and including November 10, 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 and nine months ended September 30, 2021 and 2020, and is prepared as at November 10, 2021. This MD&A should be read in conjunction with the Company's unaudited condensed interim financial statements three and nine months ended September 30, 2021 and 2020 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. 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 algorithms 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 both project-based work 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") business powered by proprietary algorithms and methods. We offer clients Web-based dashboards with continually updating data, time-series, analytics, forecasts, map visualizations, and downloadable reports.

Our global flow of source data is unique, expanding, and exclusive to RIWI. We now collect approximately 200,000 responses every 90 days giving us a total database approaching 2 billion interviewees in 229 countries and territories. Our technology has been extensively peer-reviewed by our clients and in peer-reviewed health, public policy and science journals, 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, (iii) real-time COVID-19 testing activity, changing adherence to public health protocols, vaccine hesitancy, and symptoms globally, and (iv) international elections and referenda.

### **1. RIWI Highlights for three and nine months ended September 30, 2021 and 2020 - in US Dollars:**

- a) RIWI posted \$1,158,541 in revenue for the three months ended September 30, 2021, an increase of 23% compared to \$940,019 for the three months ended September 30, 2020.
- b) RIWI posted \$3,513,997 in revenue for the nine months ended September 30, 2021, an increase of 8% compared to \$3,262,900 for the nine months ended September 30, 2020.
- c) On an annual basis, RIWI's revenue for the twelve months ended September 30, 2021 was \$4,831,835, an increase of 25% compared to \$3,852,405 for the twelve months ended September 30, 2020.
- d) RIWI had 68 revenue generating projects in the nine months ending September 30, 2021 versus 43 in the same period in 2020, an increase of 58%.
- e) Notable recent announcements include:
  - i) September 13, 2021: Proven public company executive and technology leader Greg Wong joined the Company as CEO to lead RIWI's next phase of growth and platform development. Neil Seeman, RIWI's Founder, remains on as non-executive Chairman of the Company.
  - ii) September 24, 2021: RIWI was ranked 13th among public companies on the 2021 *Report on Business* ranking of Canada's Top Growing Companies, with three-year revenue growth of 240%. RIWI has earned a spot on this authoritative ranking for three consecutive years, ever since the inception of *The Globe and Mail's* list.

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- iii) September 29, 2021: RIWI signed a contract valued over \$670,000 in the first year, and the client has the option to renew the contract in each of the next two years, for a total contract value of approximately \$2 million;
- iv) RIWI launched "RIWI Alpha – China," a novel, real-time syndicated data stream for financial market participants, which tracks changing demand for varied electric vehicles and luxury goods. These benchmarks are meant to help traders understand the sentiment toward brands in China and help be a predictor of: (a) consumer demand in the region; and (b) the future health of US publicly traded equities that are heavily influenced by changing purchase activity of these goods in China.

## **2. Products: Achieving Scale through Syndication and New Offerings**

During the third quarter we continued to refine our products, including our syndicated data streams – where one product can have multiple buyers – that play to RIWI's strengths. RIWI launched "RIWI Alpha – China," which gathers survey response data on an ongoing basis from respondents in all Chinese provinces, including from people who live in rural areas and are rarely surveyed. Early finance customers use RIWI's cost-effective, syndicated offering to gain an information edge on predicting the changing and event-driven market performance of electric vehicle and luxury goods brands.

RIWI also continued with its stigma measurement initiative where we report the views and experiences of people toward those who use drugs, people experiencing addiction, and of people identifying as in recovery from substance use or addiction. The Company is in active sales discussions with potential new buyers of this product offering, including non-profit organizations, pharmaceutical companies, universities, and government agencies across the world.

RIWI's syndicated products will provide the Company long-term recurring revenue, high margins and enable us to build long-lasting relationships with key customers. Since RIWI provides first-party, anonymous, self-reported data from anywhere in the world – i.e., the data provided to us directly by Web users – this syndication path to scale enables RIWI to grow while abiding by national or subnational data localization laws and data privacy laws that may change quickly.

## **3. RIWI's Growth Strategy**

RIWI's goal is to position its unique data stream as an essential service for global enterprises. Our real-time data reside on a proprietary platform. Clients can retain us for project-based agreements, or longer-term contracts, with options to renew and expand these contracts.

Our growth strategy includes: (i) increasing key strategic account sales wins, (ii) increasing our syndicated data offerings, (iii) further developing our partner ecosystem of referral partners, resellers, and data aggregators; and (iv) building out the RIWI platform to support additional customer use cases. We seek to expand our partner ecosystem since each organization that we work with can have a multiplier effect; partnerships offer us more clients and also help to grow our brand. For example, our data partnership this quarter to create the first "U.S.-China Perception Monitor" in conjunction with The Carter Center based in Atlanta resulted in prominent media coverage in Germany's *Deutsche Welle*, Taiwan's *United Daily News*, Hong Kong's *HK01 News*, *The Diplomat*, *The Epoch Times*, and China-based *Global Times*, *Creaders.net*, *Sohu.com*, and *asiapost.live* (Asia Post).

RIWI remains committed to investing in: (a) the right people (including sales personnel, marketing personnel, business development personnel, data scientists, and solutions architects), all with deep, demonstrable expertise in RIWI's priority sales portfolios; and (b) technological improvements to build new, syndicated products to service our diverse array of new buyers. Having the right people and technology solutions will help us deliver with excellence to our clients in 2021, and will set us up for strong growth in 2022 and beyond.

At this stage of our company, our growth is best evaluated on an annual basis, as our revenue growth can vary year-over-year, and especially quarter-over-quarter. Technology costs for certain projects can involve heavy up-front costs (e.g., we may invest in new, data integration systems in order to win future business with the client), while other projects can require heavier end-delivery costs (e.g., we may invest in professional services and analytics to measure the tangible value of our work in order to win new business with the customer or the customer

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segment on a recurring basis). Additionally, COVID-19 has created interruptions or delays in certain project starts and payments. For the trailing 12 months ended September 30, 2021, RIWI had revenues of \$4,831,835, compared to \$3,852,405 for the twelve months ended September 30, 2020, a year-over-year increase of 25%.

**4. Platform: Innovating and Investing Strategically to Drive Future Growth**

RIWI provides a unique competitive advantage through our proprietary platform, which meets the growing client demand for sentiment and message testing data. Our platform mitigates risk for our clients since it does not retain personal information. Our platform uniquely offers clients the ability to reach hard-to-reach people, such as migrant populations, in hard-to-reach areas of the world, such as conflict zones. We continue to innovate and invest in our platform to optimize its ability to address our client's changing data needs.

RIWI is well-positioned to win new business with customers requiring sentiment data from countries with strict data localization and data privacy laws. The increased emphasis on privacy compliance required by buyers across the world helps RIWI win business. We expect the demand for this type of compliant RIWI data to accelerate over the coming quarters since our unique platform and data collection methods are not easily replicated by others.

In the future, we are working towards having certain clients be able to access our platform in a self-service manner, which will open up RIWI's ability to reach customers of various sizes. This approach will also afford us the capacity to leverage inbound digital sales and marketing strategies to win new business with less reliance on salespeople.

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

The following is a discussion of the results of operations of the Company for the three and nine months ended September 30, 2021 and 2020. The results should be read in conjunction with the unaudited interim condensed financial statements for the three and nine months ended September 30, 2021 and 2020, and the related notes.

<b>Financial Results</b>	Three Months Ended September 30		Nine Months Ended September 30	
	<b>2021</b>	2020	<b>2021</b>	2020
Revenues	\$ 1,158,541	\$ 940,019	\$ 3,513,997	\$ 3,262,900
General and administrative expenses	(513,098)	(316,508)	(1,382,995)	(1,033,167)
Sales and marketing expenses	(303,599)	(304,199)	(1,105,632)	(942,300)
Technology costs	(514,447)	(247,786)	(1,158,172)	(615,449)
Net interest (expense)/income	(1,064)	2,931	(3,769)	18,054
Income tax expense	-	-	(34,494)	-
Net (loss)/income and comprehensive (loss)/income	\$ (173,667)	\$ 74,458	\$ (171,065)	\$ 690,038
Net (loss)/income per share: basic	\$ (0.01)	\$ 0.00	\$ (0.01)	\$ 0.04
Net (loss)/income per share: diluted	\$ (0.01)	\$ 0.00	\$ (0.01)	\$ 0.04
	<b>September 30,</b>	<b>December 31,</b>		
	<b>2021</b>	<b>2020</b>		
Total assets	\$ 5,296,174	\$ 5,476,332		
Total non-current liabilities	34,749	71,803		
Cash dividends	-	-		

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**1. Operating Expenses**

## (a) General and Administrative Expenses

	Three Months Ended September 30		Nine Months Ended September 30	
	2021	2020	2021	2020
Personnel costs	\$ 196,689	\$ 112,650	\$ 554,409	\$ 430,178
Director cash compensation	89,308	86,933	258,770	262,836
Consulting and professional fees	93,722	36,669	214,563	75,233
Share-based payment expense	40,904	30,832	141,527	61,664
Occupancy and office costs	55,268	32,306	156,508	118,104
Depreciation	16,417	15,611	48,751	44,533
Foreign exchange loss	20,791	1,507	8,468	40,619
	\$ 513,098	\$ 316,508	\$ 1,382,995	\$ 1,033,167

## (b) Sales and Marketing Expenses

	Three Months Ended September 30		Nine Months Ended September 30	
	2021	2020	2021	2020
Personnel costs	\$ 183,585	\$ 174,851	\$ 711,101	\$ 501,230
Third party consulting fees	87,360	65,968	273,102	164,223
Promotion and travel	32,655	3,895	85,957	19,543
Recruiting fees	-	7,624	35,473	49,863
Strategic partnership payments	-	51,860	-	207,440
	\$ 303,599	\$ 304,199	\$ 1,105,632	\$ 942,300

## (c) Technology Expenses

	Three Months Ended September 30		Nine Months Ended September 30	
	2021	2020	2021	2020
Personnel costs	\$ 55,359	35,845	\$ 172,443	\$ 130,487
Third party consulting fees	24,124	9,372	84,893	28,487
Project costs	434,964	202,569	900,836	456,475
	\$ 514,447	\$ 247,786	\$ 1,158,172	\$ 615,449

## (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 \$4,966 of the Canadian Emergency Wage Subsidy ("CEWS") subsidy from the Government of Canada during the nine months ended September 30, 2021, and has recorded the CEWS subsidy received as a reduction in general and administrative expense of \$1,300, as a reduction in sales and marketing expenses of \$3,143 and as a reduction in technology expenses of \$523. RIWI received \$2,549 of the Canadian Emergency Rent Subsidy ("CERS") subsidy from the Government of Canada during the nine months ended September 30, 2021, and has recorded the CERS subsidy received as a reduction in general and administrative expense.

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## 2. Financial Performance for the three months ended September 30, 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 September 30, 2021 increased by 23% or \$218,522 to \$1,158,541 compared to \$940,019 for the three months ended September 30, 2020. RIWI remains committed to increasing its customer base and recurring revenue streams, along with focusing on sales activities to expand into new markets.

Total operating expenses increased by \$462,652 for the three months ended September 30, 2021 compared to the three months ended September 30, 2020. The key expenses are summarized as follows:

- a) **General and administrative expenses** increased by \$196,591 to \$513,098 during the three months ended September 30, 2021 compared to the three months ended September 30, 2020. In the third quarter of 2021, the Company hired Greg Wong, our new CEO, which increased personnel costs and also consulting fees for conducting the CEO search led by executive search firm Korn Ferry. The other general and administrative expenses did not materially fluctuate.
- b) **Sales and marketing expenses** decreased by \$600 to \$303,599 during the three months ended September 30, 2021 compared to the three months ended September 30, 2020. RIWI is committed to investing in focused sales and marketing initiatives in order to help grow to expand into new markets and win new customers. The strategic partnership payments in 2020 relate to external referral fee commissions paid in conjunction with certain sales contracts. The Company did not sign any such contracts in 2021.
- c) **Technology expenses** increased by \$266,661 to \$514,447 during the three months ended September 30, 2021 compared to the three months ended September 30, 2020. Project costs have increased in 2021 due to data integration costs to address certain customer requests. The higher data integration costs in the third quarter relate to completing systems that ingest our high-frequency datasets into the Bloomberg and Battlefin data platforms in order to help us win future sales in the finance sector. RIWI also invested in additional internal projects to showcase our capabilities for the purpose of increasing sales.

Due to the personnel and technology investments noted in (a) and (c) above, RIWI had a net loss of (\$173,667) for the three months ended September 30, 2021, compared to net income of \$74,457 for the three months ended September 30, 2020. RIWI remains committed to investing its cash reserves prudently in order to recruit new sales and business development personnel with deep expertise in RIWI's priority sales portfolios, and in order to recruit technical personnel and engineering resources to help integrate our platform with new partners.

## 3. Financial Performance for the nine months ended September 30, 2021 and 2020

RIWI's revenue for the nine months ended September 30, 2021 increased by 8% or \$251,097 to \$3,513,997 compared to \$3,262,900 for the nine months ended September 30, 2020.

Total operating expenses increased by \$1,055,884 for the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020. The key expenses are summarized as follows:

- a) **General and administrative expenses** increased by \$349,829 to \$1,382,995 during the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020. Personnel costs increased due to salary increases, hiring Greg Wong as its new CEO, and professional fees increased due to Korn Ferry's CEO search fees, along with higher costs of being listed on the TSX Venture Exchange. RIWI changed its compensation model for its independent directors in the second quarter of 2020. 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 2020, where the vesting periods began in the second quarter and ended in the first quarter of 2021, resulting in a larger share-based compensation expense in 2021 (\$141,527 in 2021 compared to \$61,664 in 2020).

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- b) **Sales and marketing expenses** increased by \$163,932 to \$1,105,632 during the nine months ended September 30, 2021 compared to the nine months ended September 30, 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 did not sign any such contracts in the first nine months of 2021. RIWI is committed to investing in sales and marketing initiatives in order to help grow to new markets and customers.
- c) **Technology expenses** increased by \$542,723 to \$1,158,172 during the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020. Personnel costs and consulting fees increased as the Company invested in technological initiatives. Project costs increased in 2021 due to data integration costs to address certain customer requests, and in order to win new, recurring business from data platform integration (with partners such as Bloomberg and Battlefin). Our clients can now more easily ingest and restructure RIWI's raw data, which helps RIWI be customer-focused and helps RIWI and our partners source new clients who demand these services. 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.

Due to the personnel and technology investments, RIWI's loss before interest and taxes was (\$132,802) for the nine months ended September 30, 2021, compared to income before interest and taxes of \$671,985 for the nine months ended September 30, 2020.

RIWI's income tax expense for the nine months ended September 30, 2021 was \$34,494, compared to \$nil for the nine months ended September 30, 2020. 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.

For the above-noted reasons, RIWI had a net loss of (\$171,065) for the nine months ended September 30, 2021, compared to net income of \$690,038 for the nine months ended September 30, 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.

**SUMMARY OF QUARTERLY RESULTS**

This is a summary of selected results for the eight most recently completed quarters to September 30, 2021.

Summary of Quarterly Results <i>(in U.S. Dollars)</i>	2021			2020				2019
	Sep. 30	Jun. 30	Mar. 31	Dec. 31	Sept. 30	Jun. 30	Mar. 31	Dec. 31
Revenues	\$ 1,158,541	\$ 1,260,250	\$ 1,095,205	\$ 1,317,838	\$ 940,019	\$ 1,000,665	\$ 1,322,216	\$ 589,505
Income/(loss) from operations	(172,603)	72,329	(32,528)	242,351	71,526	110,678	489,780	90,732
Net income/(loss)	(173,667)	45,241	(42,639)	(33,504)	74,457	117,143	498,438	279,994
Net income/(loss) per share:								
basic	\$ (0.01)	\$ 0.00	\$ (0.00)	\$ (0.00)	\$ 0.00	\$ 0.01	\$ 0.03	\$ 0.02
diluted	\$ (0.01)	\$ 0.00	\$ (0.00)	\$ (0.00)	\$ 0.00	\$ 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 September 30, 2021, the Company had working capital of \$4,752,793 compared to working capital of \$4,782,818 as at December 31, 2020.

	September 30, 2021	December 31, 2020
Current Assets	\$ 5,133,462	\$ 5,277,053
Current Liabilities	(380,669)	(494,235)
Working Capital	\$ 4,752,793	\$ 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 \$4,685) per month and the office lease expires on May 31, 2023.

Contractual Obligations	Payments due by Period			
	Total	October 1, 2021 - Dec. 31, 2021	Jan. 1, 2022 - Dec. 31, 2024	Jan. 1, 2025 - beyond
Office leases	\$ 93,693	14,054	79,639	-

**CAPITAL STRUCTURE**

- Common Shares:** As of November 10, 2021, the Company has 18,004,428 issued and outstanding common shares. The closing share price prior to November 10, 2021 was CAD \$1.80 per share.
- Stock Options:** As of November 10, 2021, the Company has 1,748,056 options outstanding.
- Common Shares on a Diluted Basis:** As of November 10, 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, 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	\$ 1.92	499,244	
	\$ 2.33		1,748,056
Common shares, on a diluted basis			19,752,484

**OFF-BALANCE SHEET ARRANGEMENTS**

The Company has no off-balance sheet arrangements.

**RELATED PARTY TRANSACTIONS**

- For the nine months ended September 30, 2021, the Company provided cash compensation to independent directors in the amount of \$258,770 (2020 – \$262,836), and recognized share-based payment expense of \$141,527 (2020 – \$61,664) for stock options granted to independent directors and the Chief Executive Officer.
- From September 1, 2020 to February 28, 2021, the Company entered into an office lease agreement in a building owned by an officer of the Company that enabled safe physical distancing for staff and clients. The monthly rent was CAD \$2,300. For the nine months ended September 30, 2021, the expense recognized for this lease agreement was \$3,601 (2020 – \$1,756).

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**FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS**

As at September 30, 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 +
September 30, 2021	50%	7%	1%	43%
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. Out of the entire balance of accounts receivable on September 30, 2021, the Company received 96% of this balance as of the date of this MD&A.

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 September 30, 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 September 30, 2021, financial instruments were converted at a rate of US\$1.00 to CAD\$1.2741. Balances denominated in foreign currencies as at September 30, 2021 were as follows:

	In CAD	Converted to USD
Cash and cash equivalents	\$ 168,957	\$ 132,614
Accounts receivable	777,209	610,031
Accounts payable and accrued liabilities	195,156	153,178

The estimated impact on net income for the nine months ended September 30, 2021 with a +/- 10% change in Canadian Dollar exchange rate is approximately \$174,500 (2020 – \$60,000).

**RECENT ACCOUNTING PRONOUNCEMENTS**

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