



**RIWI CORP.**

**CONDENSED INTERIM FINANCIAL STATEMENTS**

**For the Three Months ended March 31, 2022 and 2021**

(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 Statements of Financial Position

As at March 31, 2022 and December 31, 2021

(Unaudited and Expressed in U.S. Dollars)

	March 31, 2022	December 31, 2021
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 4,265,781	\$ 4,253,537
Accounts receivable (Note 4)	223,649	265,106
Unbilled revenue (Note 10(b))	103,098	160,779
Prepaid expenses and other current assets	248,767	226,224
Total current assets	4,841,295	4,905,646
Income tax receivable	58,261	-
Property and equipment (Note 5(a))	8,090	10,083
Right-of-use assets (Note 6)	50,045	60,769
Intangible assets (Note 5(b))	63,246	67,053
Total assets	\$ 5,020,937	\$ 5,043,551
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 248,980	\$ 360,430
Current portion of lease obligations (Note 9)	50,528	49,778
Deferred revenue (Note 10(b))	241,307	31,376
	540,815	441,584
Non-current lease obligations (Note 9)	9,108	22,024
Total liabilities	549,923	463,608
<b>Shareholders' equity</b>		
Share capital (Note 7)	\$ 4,940,930	\$ 4,940,930
Contributed surplus	2,284,335	2,218,483
Accumulated deficit	(2,754,251)	(2,579,470)
Total shareholders' equity	4,471,014	4,579,943
Total liabilities and shareholders' equity	\$ 5,020,937	\$ 5,043,551

Nature of business and continuing operations (Note 1)

Approved and authorized for issuance on behalf of the Board on May 10, 2022.

(signed) "Greg Wong"  
 \_\_\_\_\_  
 Greg Wong  
 Chief Executive Officer

(signed) "Annette Cusworth"  
 \_\_\_\_\_  
 Annette Cusworth  
 Chair of the Audit Committee

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

**RIWI CORP.**

Condensed Interim Statements of Loss and Comprehensive Loss  
For the Three Months ended March 31, 2022 and 2021  
(Unaudited and Expressed in U.S. Dollars)

	Three Months Ended March 31	
	2022	2021
Revenues (Note 10)	\$ 897,398	\$ 1,095,205
Expenses		
General and administrative (Note 11(a))	\$ 560,305	432,757
Sales and marketing (Note 11(b))	\$ 282,661	407,381
Technology costs (Note 11(c))	\$ 289,027	287,595
Total expenses	1,131,993	1,127,733
Loss before interest and taxes	(234,595)	(32,528)
Net interest income/(expense)	\$ 1,553	(1,354)
Loss before taxes	(233,042)	(33,882)
Income tax recovery	58,261	(8,757)
Net loss and comprehensive loss	\$ (174,781)	\$ (42,639)
Net loss per share		
Basic and diluted	\$ (0.01)	\$ -
Weighted average number of common shares outstanding		
Basic	18,004,428	18,004,428
Diluted	18,004,428	19,026,928

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

**RIWI CORP.**

Condensed Interim Statements of Changes in Equity  
For the Three Months ended March 31, 2022 and 2021  
(Unaudited and Expressed in U.S. Dollars)

	Number of Shares	Share Capital Amount	Contributed Surplus	Accumulated Deficit	Total Equity
Balance, December 31, 2020	18,004,428	4,940,930	2,008,266	(2,038,902)	4,910,294
Share-based payment expense			65,728	-	65,728
Stock options Exercised					
Stock options expired					
Net (loss) and comprehensive (loss) for the period	-	-	-	(42,639)	(42,639)
Balance, March 31, 2021	18,004,428	\$ 4,940,930	\$ 2,073,994	\$ (2,081,541)	\$ 4,933,383
Balance, December 31, 2021	18,004,428	4,940,930	2,218,483	(2,579,470)	4,579,943
Share-based payment expense	-	-	65,852	-	65,852
Net (loss) and comprehensive (loss) for the period	-	-	-	(174,781)	(174,781)
<b>Balance, March 31, 2022</b>	<b>18,004,428</b>	<b>\$ 4,940,930</b>	<b>\$ 2,284,335</b>	<b>\$ (2,754,251)</b>	<b>\$ 4,471,014</b>

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

**RIWI CORP.**

Condensed Interim Statements of Cash Flows  
For the Three Months ended March 31, 2022 and 2021  
(Unaudited and Expressed in U.S. Dollars)

	Three Months Ended March 31	
	2022	2021
Operating activities		
Net (loss)/income for the period	\$ (174,781)	\$ (42,639)
Less: non-operating net interest expense/(income)	(1,553)	1,354
Items not involving cash:		
Amortization of property and equipment, right-of-use assets, and intangible assets	16,524	15,904
Share-based payment expense (Note 8)	65,852	65,728
	(93,958)	40,347
Changes in non-cash operating working capital:		
Accounts receivable	41,457	(302,982)
Unbilled revenue	57,681	77,010
Prepaid expenses and other assets	(22,543)	20,375
Accounts payable and accrued liabilities	(111,450)	(196,118)
Income taxes receivable/payable	(58,261)	(94,205)
Deferred revenue	209,931	26,500
Net cash generated by operating activities	22,857	(429,073)
Investing activities		
Interest income	2,569	369
Additions of property and equipment, right-of-use assets, and intangible assets	-	(11,496)
Net cash (used)/provided by investing activities	2,569	(11,127)
Financing activities		
Lease payments (Note 9)	(13,182)	(13,183)
Net cash (used)/provided by financing activities	(13,182)	(13,183)
Change in cash and cash equivalents	12,244	(453,383)
Cash and cash equivalents, beginning of the period	4,253,537	4,058,588
Cash and cash equivalents, end of the period	\$ 4,265,781	\$ 3,605,205

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

**RIWI CORP.**

Notes to the Condensed Interim Financial Statements  
For the Three Months ended March 31, 2022 and 2021  
(Unaudited and Expressed in U.S. Dollars)

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**1. NATURE OF OPERATIONS**

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 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.

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 months ended March 31, 2022 (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

**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, 2021. 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, 2021. Interim results are not necessarily indicative of the results expected for the fiscal year.

The Financial Statements were authorized for issuance by RIWI's Board of Directors on May 10, 2022.

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. The Company's functional and reporting currency is the United States Dollar.

**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. 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 quarter 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:

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Notes to the Condensed Interim Financial Statements  
For the Three Months ended March 31, 2022 and 2021  
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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)***(a) Use of estimates and judgments (continued)**(i) Asset carrying values and impairment charges*

Management exercises judgement at each reporting period to determine whether there are indicators of impairment of RIWI's non-financial assets. If such indicators are identified, management will perform an impairment test to determine whether the recoverable amount of the asset is in excess of the carrying value of RIWI's one cash generating unit ("CGU"). In order to determine the recoverable amount, management must use judgement to determine the appropriate methodology to use to determine the fair value less costs of disposal and value in use. Determining the recoverable amounts requires the use of estimates such as estimated future cash flows, terminal growth rates and discount rates.

*(ii) 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 considering 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 judgements regarding 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 and judgements 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.

*(iii) Measurement of share-based compensation*

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the share awards are determined at the date of grant using the Black-Scholes Method. 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.

*(iv) Depreciation and amortization*

The Company makes estimates when determining the estimated useful lives of its property, equipment and intangible assets, taking into consideration company specific factors such as the intended use of the assets and technological advancements. Management also applies judgement when determining the pattern in which the assets' future economic benefits are expected to be consumed by the Company.

*(v) Revenue*

The Company exercises judgement in measuring its progress towards complete satisfaction of its performance obligation. RIWI uses the output method to measure progress. Each of the Company's contracts is comprised of one performance obligation comprising a number of milestones, and the Company assesses the stage of completion at each milestone.



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Notes to the Condensed Interim Financial Statements

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(Unaudited and Expressed in U.S. Dollars)

**4. ACCOUNTS RECEIVABLE**

Accounts receivable consists of trade receivables from clients. Please see Note 13(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.

<b>2021</b>		Computers	Leasehold Improvements	Total
<i>Cost:</i>	December 31, 2020	\$ 6,952	\$ 31,496	\$ 38,448
	Additions	1,063	-	1,063
	Disposals	(4,120)		(4,120)
	December 31, 2021	3,895	31,496	35,391
<i>Accumulated depreciation:</i>	December 31, 2020	(4,328)	(16,938)	(21,266)
	Depreciation	(1,764)	(6,024)	(7,788)
	Disposals	3,746		3,746
	December 31, 2021	(2,346)	(22,962)	(25,308)
<i>Carrying value:</i>	December 31, 2020	2,624	14,558	17,182
	December 31, 2021	\$ 1,549	\$ 8,534	\$ 10,083

  

<b>2022</b>		Computers	Leasehold Improvements	Total
<i>Cost:</i>	December 31, 2021	\$ 3,895	\$ 31,496	\$ 35,391
	Additions	-	-	-
	March 31, 2022	3,895	31,496	35,391
<i>Accumulated depreciation:</i>	December 31, 2021	(2,346)	(22,962)	(25,308)
	Depreciation	(487)	(1,506)	(1,993)
	March 31, 2022	(2,833)	(24,468)	(27,301)
<i>Carrying value:</i>	December 31, 2021	1,549	8,534	10,083
	<b>March 31, 2022</b>	<b>\$ 1,062</b>	<b>\$ 7,028</b>	<b>\$ 8,090</b>

Depreciation in the amount of \$1,993 has been included under general and administrative expenses for the three months ended March 31st, 2022 (2021 – \$2,009).

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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 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 classified the domain names as finite life intangible assets and is amortizing them using the straight-line method over 10 years.

In 2020, RIWI obtained the trademarks of the word mark “RIWI” in in the US and the EU, and in 2021, obtained the trademark in Canada. The Company classified the trademarks as finite life intangible assets. The Company is amortizing the trademarks 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.

<b>2021</b>		Patent	Domain Names	Trademarks	Website	Total
<i>Cost:</i>						
December 31, 2020	\$	21,239	\$ 80,810	\$ 7,016	\$ 5,072	\$ 114,137
Additions		-	-	-	11,496	11,496
December 31, 2021		21,239	80,810	7,016	16,568	125,633
<i>Accumulated Amortization:</i>						
December 31, 2020		(12,607)	(27,947)	(1,040)	(2,394)	(43,988)
Amortization		(909)	(8,081)	(717)	(4,885)	(14,592)
December 31, 2021		(13,516)	(36,028)	(1,757)	(7,279)	(58,580)
<i>Carrying value:</i>						
December 31, 2020		8,632	52,863	5,976	2,678	70,149
December 31, 2021	\$	7,723	\$ 44,782	\$ 5,259	\$ 9,289	\$ 67,053

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

<b>2021</b>	Patent	Domain Names	Trademarks	Website	Total
<i>Cost:</i>					
December 31, 2021	\$ 21,239	\$ 80,810	\$ 7,016	\$ 16,568	\$ 125,633
Additions	-	-	-	-	-
March 31, 2022	21,239	80,810	7,016	16,568	125,633
<i>Accumulated Amortization:</i>					
December 31, 2021	(13,516)	(36,028)	(1,757)	(7,279)	(58,580)
Amortization	(227)	(2,020)	(179)	(1,381)	(3,807)
March 31, 2022	(13,743)	(38,048)	(1,936)	(8,660)	(62,387)
<i>Carrying value:</i>					
December 31, 2021	7,723	44,782	5,259	9,289	67,053
<b>March, 31, 2022</b>	<b>\$ 7,496</b>	<b>\$ 42,762</b>	<b>\$ 5,080</b>	<b>\$ 7,908</b>	<b>\$ 63,246</b>

Amortization in the amount of \$3,807 has been included under general and administrative expenses for the three months ended March 31, 2022 (2021 – \$3,169).

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

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

<b>2021</b>	Right-of-use assets
<i>Cost:</i>	
December 31, 2020	\$ 189,455
Additions	-
December 31, 2021	189,455
<i>Accumulated Amortization:</i>	
December 31, 2020	(85,791)
Amortization	(42,895)
December 31, 2021	(128,686)
<i>Carrying value:</i>	
December 31, 2020	103,664
December 31, 2021	\$ 60,769

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Notes to the Condensed Interim Financial Statements  
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**6. RIGHT-OF-USE ASSETS (continued)**

<b>2022</b>		Right-of-use assets	
<i>Cost:</i>	December 31, 2021	\$	189,455
	Additions		-
	March 31, 2022		189,455
<i>Accumulated Amortization:</i>	December 31, 2021		(128,686)
	Amortization		(10,724)
	March 31, 2022		(139,410)
<i>Carrying value:</i>	December 31, 2021		60,769
	<b>March 31, 2022</b>	<b>\$</b>	<b>50,045</b>

Amortization in the amount of \$10,724 has been included under general and administrative expenses for the three months ended March 31, 2022 (2021 – \$10,724).

**7. SHARE CAPITAL**

Authorized: unlimited number of common shares without par value.

**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 shall equal the market price of RIWI's common share on grant date, a minimum price, or a discounted amount of the Company's common share price 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.

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

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

The following table summarizes the continuity of the Company's stock options:

	Number of Options	Weighted average exercise price (CAD)
Balance, December 31, 2020	1,531,312	\$ 2.44
Granted	145,140	2.47
Exercised	(50,000)	2.51
Balance, March 31, 2021	1,626,452	\$ 2.44
Balance, December 31, 2021	1,548,056	2.37
Granted	396,529	0.93
Balance, March 31, 2022	1,944,585	\$ 2.08

On March 3, 2021, the Company granted an aggregate of 145,140 stock options to certain independent directors. These stock options expire on March 3, 2026 and are exercisable at a price of CAD\$2.47 per share. These options vest 25% on each of the following dates: March 31, 2021; June 30, 2021; September 30, 2021; and December 31, 2021.

On September 13 2021, the Company granted 354,104 stock options to Greg Wong, Chief Executive Officer. These stock options will expire on September 13, 2026 and are exercisable at a price of CAD \$1.70 per share. These options vest 25% on each of the following dates: September 13, 2022, September 13, 2023, September 13, 2024 and September 13, 2025.

On March 1 2022, the Company granted 65,000 stock options to David Cass, Director of Partner Management. These stock options will expire on March 1, 2027 and are exercisable at a price of CAD \$0.99 per share. These options vest 25% on each of the following dates: March 1, 2023, March 1, 2024, March 1, 2025 and March 1, 2026.

On March 11, 2022, the Company granted an aggregate of 331,529 stock options to certain independent directors. These stock options expire on March 11, 2027 and are exercisable at a price of CAD\$0.92 per share. These options vest on March 11, 2023.

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:

	2022	2021
Risk-free interest rate	1.57% - 1.70%	0.29% - 0.85%
Expected life	3.0 - 4.5 years	3.0 - 4.5 years
Expected volatility	79% - 104%	98% - 106%
Forfeiture rate	10%	10%

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Notes to the Condensed Interim Financial Statements

For the Three Months ended March 31, 2022 and 2021

(Unaudited and Expressed in U.S. Dollars)

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

For the three months ended March 31, 2022, the Company recorded share-based payment expense, with a corresponding credit to reserves of \$65,852 (March 31, 2021 – \$65,728).

Additional information regarding stock options outstanding as at March 31, 2022 is as follows:

		Outstanding		Exercisable	
Range of exercise prices (CAD)	Number of shares	Weighted average remaining contractual life (years)	Number of shares	Weighted average exercise price (CAD)	
\$ 0.92	331,529	4.9	-	\$ 0.92	
\$ 0.99	65,000	4.9	-	\$ 0.99	
\$ 1.70	354,104	4.5	-	\$ 1.70	
\$ 2.00	390,000	1.2	390,000	\$ 2.00	
\$ 2.04	200,000	0.2	200,000	\$ 2.04	
\$ 2.47	145,140	3.9	145,140	\$ 2.47	
\$ 3.25	370,000	2.1	370,000	\$ 3.25	
\$ 3.56	88,812	3.1	88,812	\$ 3.56	
\$ 2.08	1,944,585	2.9	1,193,952	\$ 2.57	

**9. LEASE OBLIGATIONS**

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 \$4,394) per month and the office lease expires on May 31, 2023.

Contractual Obligations	Payment due by Period			
	Total	Apr. 1, 2022 - Dec. 31, 2022	Jan. 1, 2023 - Dec. 31, 2024	Jan. 1, 2025 - beyond
Office leases	\$ 61,516	39,546	21,970	-

For the three months ended March 31, 2022, the lease accretion was \$12,167 and the payments totaled \$13,182. For the three months ended March 31, 2021, the lease accretion was \$14,134 and the payments totaled \$14,117.

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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 14.

*(b) Unbilled revenue and deferred revenue*

Unbilled revenue relates to RIWI's right to consideration for work completed but not yet billed. RIWI transfers unbilled revenue to accounts receivable on invoicing. Below is a summary of unbilled revenue from contracts with customers and the significant changes in those balances during the three months ended March 31, 2022 and 2021.

	Three Months Ended March 31	
	2022	2021
Balance, beginning of the period	\$ 160,779	\$ 437,455
Additions during the period	197,864	256,457
Reclassification of unbilled revenue to accounts receivable	(255,545)	(333,467)
Balance, end of the period	\$ 103,098	\$ 360,445

Deferred revenue primarily relates to advance consideration received from customers for services yet to be performed. Deferred revenue will be recognized as revenue over time as RIWI achieves the delivery milestones. Below is a summary of deferred revenue from contracts with customers and the significant changes in those balances during the three months ended March 31, 2022 and 2021.

	Three Months Ended March 31	
	2022	2021
Balance, beginning of the period	\$ 31,376	\$ 77,115
Deferred revenue recognized during the period	361,199	210,789
Net additions from contracts with customers	(151,268)	(184,289)
Balance, end of the period	\$ 241,307	\$ 103,615

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Notes to the Condensed Interim Financial Statements

For the Three Months ended March 31, 2022 and 2021

(Unaudited and Expressed in U.S. Dollars)

**11. OPERATING EXPENSES***(a) General and Administrative Expenses*

	Three Months Ended March 31	
	2022	2021
Personnel costs	\$ 167,425	\$ 189,829
Director cash compensation	117,151	86,171
Consulting and professional fees	96,333	31,043
Share-based payment expense	65,852	65,728
Occupancy and office costs	79,223	51,791
Depreciation	16,524	15,902
Foreign exchange loss	17,797	(7,707)
	<u>\$ 560,305</u>	<u>\$ 432,757</u>

*(b) Sales and Marketing Expenses*

	Three Months Ended March 31	
	2022	2021
Personnel costs	\$ 126,273	\$ 271,990
Third party consulting fees	83,714	86,197
Promotion and travel	23,213	13,721
Recruiting fees	49,461	35,473
	<u>\$ 282,661</u>	<u>\$ 407,381</u>

*(c) Technology Expenses*

	Three Months Ended March 31	
	2022	2021
Personnel costs	\$ 45,861	\$ 59,185
Third party consulting fees	3,113	25,324
Project costs	240,053	203,086
	<u>\$ 289,027</u>	<u>\$ 287,595</u>



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Notes to the Condensed Interim Financial Statements

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**12. RELATED PARTY TRANSACTIONS**

For the three months ended March 31, 2022, the Company provided cash compensation to independent directors in the amount of \$117,151 (2021 – \$86,171), and recognized share-based payment expenses of \$65,852 (2021 – \$65,728) for stock options granted to the independent directors. Additionally, Neil Seeman, the Company's founder and non-executive Chairman of the Board, is also acting as a consultant for the Company and received cash compensation of \$30,899 for his consulting services in the first quarter of 2022.

**13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

As at March 31, 2022, 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 FVTPL.

The following is a discussion of the Company's risk exposures:

*(a) Credit risk*

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's trade accounts receivable are due from customers and are subject to normal credit risk. The following table provides information regarding the aged trade receivables:

	Current	31-60 days	61-90 days	91 days +
March 31, 2022	86%	0%	5%	9%
December 31, 2021	78%	20%	0%	2%

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

The following table identifies customers comprising 10% or more of the Company's accounts receivable as at March 31, 2022 and December 31, 2021:

	March 31, 2022	December 31, 2021
Customer A	40%	38%
Customer B	17%	12%

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, 2022 and December 31, 2021.

The following table identifies customers comprising 10% or more of the Company's revenue for the three months ended March 31, 2022 and March 31, 2021:

	March 31, 2022	March 31, 2021
Customer A	40%	19%
Customer B	18%	13%
Customer C	16%	1%
Customer D	1%	39%

*(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 comprised of invoices and accruals payable to trade suppliers for operating expenses, wages and salaries payable, 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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**13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)***(c) Market risk*

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the Company's net earnings or the value of financial instruments. The objective of the Company is to manage and mitigate market risk exposures within acceptable limits, while maximizing returns.

*(i) Interest rate risk:* The Company has cash balances and no interest-bearing debt, and is not exposed to any significant interest rate risk.

*(ii) Foreign currency risk:* The Company's activities are conducted in foreign jurisdictions; the majority of the Company's operating expenses are in Canadian dollars; and a portion of the Company's cash is denominated in Canadian dollars. The Company has not entered into foreign exchange rate contracts to mitigate this risk.

As at March 31, 2022, financial instruments were converted at a rate of US\$1.00 to CAD\$1.2496. Balances denominated in foreign currencies as at March 31, 2022 were as follows:

	In CAD	Converted to USD
Cash and cash equivalents	\$ 226,577	\$ 181,329
Accounts receivable	36,725	29,389
Accounts payable and accrued liabilities	247,822	198,321

The estimated impact on net income for three months ended March 31, 2022 with a +/- 10% change in Canadian Dollar exchange rate is approximately \$64,000 (2021 – \$66,000).

*(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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**14. 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 its Chief Executive Officer. The Company operates as one reportable segment for 2022.

The approximate sales revenue based on geographic location of customers for the three months ended March 31, 2022 and 2021 is as follows:

	March 31, 2022		March 31, 2021	
United States	\$	696,295	\$	836,177
Canada	\$	23,532	\$	60,231
Europe	\$	177,572	\$	198,797
	\$	<b>897,398</b>	\$	<b>1,095,205</b>

**15. COVID-19 PANDEMIC**

On January 30, 2020, the World Health Organization ("WHO") declared the ongoing COVID-19 outbreak a global health emergency and on March 10, 2020, the WHO expanded its classification of the outbreak to a pandemic. Federal, provincial and municipal governments in Canada have enacted measures to combat the spread of COVID-19. The COVID-19 pandemic continues to rapidly evolve and is causing business disruptions across the entire global economy and society.