RSI INTERNATIONAL SYSTEMS INC.

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

(In Canadian Dollars)

Management's Responsibility for Financial Reporting

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The Board of Directors and Audit Committee are composed primarily of Directors who are neither management nor employees of the Company. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Audit Committee has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee is also responsible for recommending the appointment of the Company's external auditors.

MNP LLP is appointed by the directors to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board/Committee and management to discuss their audit findings.

April 19, 2017

(signed)
"Tim Major"
President and Chief Executive Officer

(signed)
"Giovanni Susin"
Chief Financial Officer

Independent Auditors' Report

To the Shareholders of RSI International Systems Inc.:

We have audited the accompanying consolidated financial statements of RSI International Systems Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of operations and comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of RSI International Systems Inc. as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Vancouver, British Columbia

April 19, 2017

Chartered Professional Accountants

RSI INTERNATIONAL SYSTEMS INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(in Canadian dollars)

	Notes	**December 31, 2016**	December 31, 2015
ASSETS			
Current			
Cash		**$ 378,767**	$ 1,145,427
Accounts Receivable, net of allowance	4	**222,813**	230,649
GST Receivable		**-**	4,218
Prepaid Expenses	5	**61,770**	77,986
		663,350	1,458,280
Long-Term Prepaid Expenses	5	**45,020**	34,938
Equipment	6	**77,541**	44,911
Deferred Development Costs	7	**999,890**	393,065
		$ 1,785,801	$ 1,931,194
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts Payable & Accrued Liabilities		**$ 322,147**	$ 468,380
GST Payable		**5,735**	-
Deferred Revenue	8	**481,149**	369,996
		809,031	838,376
Security Deposit	13	**10,741**	-
		819,772	838,376
Shareholders' Equity			
Share Capital	9	**5,512,330**	5,177,009
Contributed Surplus		**480,144**	300,582
Deficit		**(5,026,445)**	(4,384,773)
		966,029	1,092,818
		$ 1,785,801	$ 1,931,194

The accompanying notes are an integral part of these consolidated financial statements.

RSI INTERNATIONAL SYSTEMS INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015
(in Canadian dollars)

	Notes		2016		2015
REVENUES		**$**	**4,982,079**	$	4,492,422
COST OF SALES			**777,055**		676,328
GROSS PROFIT			**4,205,024**		3,816,094
EXPENSES					
Amortization of Equipment	6		**36,426**		15,669
Amortization of Deferred Development Costs	7		**181,336**		95,152
Impairment of Deferred Development Costs			**9,000**		-
Bad Debt	4		**(4,079)**		16,159
Business Development and Travel			**278,569**		237,172
Filing and Transfer Agent Fees			**19,874**		15,467
Foreign Exchange (Gain) Loss			**34,489**		(488,679)
Internet and Networking			**50,419**		63,667
Interests and Bank Charges			**44,478**		54,388
Investor Relations			**10,006**		-
Marketing			**230,321**		237,537
Office and Miscellaneous			**191,674**		81,764
Professional Fees			**389,665**		178,870
Rent and Utilities			**177,923**		165,571
Salaries and Benefits			**3,149,751**		3,331,140
Software Licenses			**46,844**		19,952
			4,846,696		4,023,829
NET AND COMPREHENSIVE LOSS FOR THE YEAR			**(641,672)**		(207,735)
Loss Per Share - Basic and Diluted		**$**	**(0.02)**	$	(0.01)
Weighted average number of shares outstanding – Basic and diluted			**32,431,333**		31,021,371

The accompanying notes are an integral part of these consolidated financial statements.

RSI INTERNATIONAL SYSTEMS INC.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(in Canadian dollars, except share number)

	Issued Common Shares						
	Number	Amount Received	Amount Receivable	Shares to be Issued	Contributed Surplus	Deficit	Total Equity
		$	$	$	$	$	$
BALANCE, DECEMBER 31, 2014	30,554,626	4,944,564	(10,492)	67,500	338,854	(4,177,038)	1,163,388
Cancellation of share subscription receivable	-	(1,202)	-	-	-	-	(1,202)
Collection of amount receivable for private placement	-	-	10,492	-	-	-	10,492
Shares issued upon exercise of options	450,000	51,000	-	-	-	-	51,000
Fair value of options exercised	-	38,272	-	-	(38,272)	-	-
Shares issued upon exercise of warrants	962,500	144,375	-	(67,500)	-	-	76,875
Net and comprehensive loss for the year	-	-	-	-	-	(207,735)	(207,735)
BALANCE, DECEMBER 31, 2015	31,967,126	5,177,009	-	-	300,582	(4,384,773)	1,092,818
Shares issued for private placement	4,143,152	366,946	-	-	171,664	-	538,610
Share issuance costs	-	(31,625)	-	-	7,898	-	(23,727)
Net and comprehensive loss for the year	-	-	-	-	-	(641,672)	(641,672)
BALANCE, DECEMBER 31, 2016	**36,110,278**	**5,512,330**	**-**	**-**	**480,144**	**(5,026,445)**	**966,029**

The accompanying notes are an integral part of these consolidated financial statements.

RSI INTERNATIONAL SYSTEMS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(in Canadian dollars)

	Notes	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Loss for the Year		**$ (641,672)**	$ (207,735)
Items not Affecting Cash:			
Amortization of Equipment		**36,426**	15,669
Amortization of Deferred Development Costs		**181,336**	95,152
Impairment of Deferred Development Costs		**9,000**	-
Bad Debt		**(4,079)**	16,159
		(418,989)	(80,755)
Changes in Non-Cash Working Capital Items:			
(Increase) Decrease in Accounts Receivable		**16,133**	(44,524)
(Increase) Decrease in Prepaid Expenses		**6,134**	(43,346)
Increase (Decrease) in Accounts Payable and Accrued Liabilities		**(146,233)**	94,554
Increase (Decrease) in GST Payable		**5,735**	(21,642)
Increase in Deferred Revenue		**111,153**	120,675
Net Cash Provided by (Used in) Operating Activities		**(426,067)**	24,962
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of Equipment		**(69,056)**	(43,636)
Deferred Development Costs		**(797,161)**	(242,851)
Net Cash Used in Investing Activities		**(866,217)**	(286,487)
CASH FLOWS FROM FINANCING ACTIVITIES			
Security Deposit Received		**10,741**	-
Issuance of Common Shares, net of shares issuance costs		**514,883**	-
Issuance of Shares Upon Exercise of Warrants		**-**	76,875
Issuance of Shares Upon Exercise of Options		**-**	51,000
Collection of Subscription Receivable		**-**	9,290
Net Cash Provided by Financing Activities		**525,624**	137,165
Change in Cash During the Year		**(766,660)**	(124,360)
Cash, Beginning of Year		**1,145,427**	1,269,787
Cash, End of Year		**$ 378,767**	$ 1,145,427

The accompanying notes are an integral part of these consolidated financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

RSI International Systems Inc. ("RSI" or the "Company") is a publicly listed company incorporated under the laws of British Columbia, Canada. The address of the Company's head and registered office is 350 – 440 Cambie Street, Vancouver, BC V6B 2N5. The consolidated financial statements of the Company as at and for the year ended December 31, 2016 include the Company and its subsidiary (together referred to as the "Group"). The Group is in the business of providing an integrated web-based real-time reservation and property management system to the hotel and resort industries.

These consolidated financial statements were approved and authorized for issue by the Board of Directors on April 19, 2017.

These financial statements have been prepared using International Financial Reporting Standards applicable to a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities and commitments in the normal course of operations for the foreseeable future.

Since 2012, the Company has focused on product development and enhancement and sales and marketing activities. These activities have been funded by a combination of revenue generated from the sale of the Company's products and services, equity financings, line of credits and short-term loans. The Company's expenses have exceeded its revenue during the year ended December 31, 2016, and has incurred a net loss of $641,672 (2015 – $207,735) and an accumulated deficit as of December 31, 2016 of $5,026,445 (2015 – $4,384,773).

Several conditions cast significant doubt on the validity of this assumption. The Company's ability to continue as a going concern is dependent on its ability to raise equity financing or the attainment of profitable operations. If the going concern assumption was not appropriate for these consolidated financial statements, then adjustments may be necessary in the carrying values of assets and liabilities and the reported expenses. These consolidated financial statements do not reflect any adjustments, which could be material, to the carrying amounts of assets and liabilities, reported revenues and expenses, and balance sheet classification used, that would be necessary if the Company were unable to continue as a going concern.

Management's current strategy is to focus on gaining worldwide market share of the hotel lodging industry, at the same time to exercise careful cost control to sustain operations in the near term. Management recognizes the Company's need to expand its cash reserves in the coming year if it intends to adhere to its sales, marketing, and product development plans, and has evaluated its potential sources of funds, including: increased revenue from sale of its products and services, and possible debt and equity financing options. Although Management intends to assess and act on these options through the course of the year, there can be no assurance that the steps Management takes will be successful.

2. BASIS OF PRESENTATION

Statement of Compliance

The consolidated financial statements of the Company comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Basis of Preparation

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional and reporting currency.

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at their fair value as explained in the accounting policies set out below. In addition, these financial statements have been prepared using the accrual basis of accounting except cash flow information.

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Veratta Technologies (2011) Inc. All significant inter-company balances and transactions have been eliminated upon consolidation.

Significant Accounting Judgments and Estimates

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments and estimates and form assumptions that affect the reported amount of assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenues and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of the financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant Accounting Judgments and Estimates (continued)

Estimates

- **Allowance for doubtful accounts**

The Company extends unsecured credit to its customers in the ordinary course of business but mitigates the associated risks by performing credit checks and actively pursuing past due accounts. An allowance for doubtful accounts is estimated and recorded based on management's assessment of credit history with the customers and current relationships with them.

- **Impairment of non-financial assets**

The Company assesses the carrying value of non-financial assets, including equipment, deferred development cost and intangible assets at each reporting date to determine whether there are any indicators that the carrying amounts of the assets may be impaired. The Company follows IFRS 36 to determine if there are impairment indicators. This determination requires significant judgement. The Company tests annually whether deferred development cost not ready to use has suffered impairment, in accordance with the accounting policy stated in Note 3. The recoverable amounts are the greater of fair value less cost of sales and value in use.

- **Share-based payments**

Share-based payments are valued using the Black-Scholes option pricing model at the date of grant and expensed in profit or loss over vesting period of each award. The Black-Scholes option pricing model utilizes subjective assumptions such as expected price volatility and expected life of the option. Changes in these input assumptions can significantly affect the fair value estimate.

- **Deferred taxes**

The Company recognizes the deferred tax benefit related to deferred tax assets to the extent recovery is probable. Assessing the recoverability of deferred tax assets requires management to make significant estimates of future taxable profit. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in the future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted.

Judgments

The critical judgments that the Company's management has made in the process of applying the Company's accounting policies from those involving estimations that have the most significant effect on the amounts recognized in the Company's consolidated financial statements are as follows:

- **Going concern**

The assessment of the Company's ability to execute its strategy and finance the operations through achieving positive cash flow from operations or by obtaining additional funding through the issuance

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant Accounting Judgments and Estimates (continued)

Judgments (continued)

- **Going concern** (continued)

of share capital involves judgment. Management monitors future cash requirements to assess the Company's ability to realize assets and discharge its liabilities in the normal course of operations.

- **Capitalization of deferred development costs**

The application of the Company's accounting policy for capitalization of deferred development costs requires judgment in determining which development expenditures are recognized as intangible assets and applying the policy consistently. In making this determination, the Company considers the degree to which the development expenditure can be associated with developing new proprietary products.

Cash

Cash consist of cash on hand and deposits in banks.

Foreign Currency Transactions

The Company's and its subsidiary's functional currency and reporting currency is the Canadian dollars and transactions denominated in foreign currencies are translated into Canadian dollars at the exchange rates prevailing at the transaction dates or at the average exchange rate for the month in which the transaction occurs or the revenue is recognized. At each month-end, monetary assets and liabilities are re-valued at the month-end exchange rates. Exchange gains and losses on translations are included in operations.

Equipment

Equipment is stated at cost less accumulated amortization.

- Amortization of office equipment and computer equipment is calculated on a straight-line basis over 36 months;
- Amortization of leasehold improvements is calculated on a straight-line basis over the lease term;
- Amortization of computer software is calculated based on a declining balance of 100%.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. The useful lives of intangible assets are assessed as either finite or indefinite.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible Assets (continued)

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life of the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the income statement when the asset is derecognized.

Deferred Development Costs

The Company carries on various research and development activities to develop new proprietary products. Net research costs are expensed in the periods in which they are incurred. Development costs that meet all of the criteria to be recognized as an intangible asset, including reasonable expectation regarding future economic benefits, are recognized as assets and recorded in deferred development costs. Following initial recognition, the deferred development costs are carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the assets begins when development is complete and the asset is available for use. The deferred development costs are being amortized on straight line method over the period of expected future benefit, which is estimated to be 3 to 5 years. During the period of development, the asset is tested for impairment annually.

Impairment of Non-Financial Assets

Intangible assets and deferred development costs not ready to use are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

The Company derives its revenue primarily from monthly subscription fees for access to its web-based real time reservation and property management system and its support services. It also generates revenue from provision of professional services such as set up services, initial interface, and systems configuration.

Revenue from the rendering of services is recognized when the following criteria are met:

- The amount of revenue can be measured reliably
- The receipt of economic benefits is probable; and
- Costs incurred and to be incurred can be measured reliably

Subscription-based services:

Subscription fees, consisting primarily of monthly charges for access to the Company's web based reservation and property management system and customer support services, are recognized as revenue over the associated subscription period. Where applicable, usage fees above a base minimum fees based on actual usage, are recognized as services are delivered. Subscription revenue received in advance of the delivery of services is included in deferred revenue.

Professional services:

Revenue associated with professional services such as initial interface, systems configuration or training are recognized upon delivery of services.

Commission revenue:

Commission revenue is recognized on a net basis based on actual usage.

Multiple component arrangements:

When a single sales transaction requires the delivery of more than one product or service (multiple components), the revenue recognition criteria are applied to the separately identifiable components. A component is considered to be separately identifiable if the product or service delivered has stand-alone value to the customer and the fair value associated with the product or service can be measured reliably. The total contract consideration for these units is measured and allocated amongst the accounting units based upon the fair value of each component in relation to the fair value of the arrangement as a whole. Otherwise, the entire arrangement is treated as one unit of accounting and revenue is deferred and recognized ratably over the remaining term of the contract, commencing when all elements are delivered.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-Based Payments

The Company grants stock options to buy common shares of the Company to directors, officers, employees and consultants. The Board of Directors grants such options with vesting periods determined at the sole discretion of the Board and at prices reflecting the share price on the date the options were granted. An individual is classified as an employee when the individual is an employee for legal or tax purposes (“direct employee”) or provides services similar to those performed by a direct employee, including directors of the Company.

The fair value is measured at the grant date and recognized, together with a corresponding increase in contributed surplus equity, over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options are granted. The cumulative expense recognized at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company’s best estimate of the number of options that will ultimately vest. The income statement expense for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

Income Taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the consolidated statement of comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Earnings (Loss) Per Share

The Company presents basic and diluted earnings (loss) per share data for its common shares, calculated by dividing the earnings (loss) attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted earnings (loss) per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive. Options and warrants are dilutive when they would result in the issue of common shares for less than the average market price of common shares during the period minus the issue price.

Capital Disclosure

The Company's primary objective when managing capital is to maintain sufficient resources and raise funding to support current and long-term operating needs. The ability to continue as a going concern is essential to the Company's goal of providing returns and shareholders and other stakeholders. The capital structure of the Company consists of shareholders' equity. The Company manages its capital structure and makes adjustments to it, based on the level of funds available to the Company to manage its operations. The Company balances its overall capital through new share issuances or by undertaking other activities as deemed appropriate in the circumstances. The Company is not subject to externally imposed capital requirements. There have been no significant changes in the Company's approach to capital management during the year.

Financial Instruments

Financial Assets

The Company's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities. Cash is classified as fair value through profit or loss and recorded at fair value. Accounts receivable is classified as loans and receivables and are measured at amortized cost. Accounts payable and accrued liabilities is classified as other financial liabilities, which are measured at amortized cost. The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss – this category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of operations.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Financial Assets (continued)

Loans and receivables – these assets are non-derivative financial assets with fixed or determinable payment that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counter party will default. If there is objective evidence that an impairment loss has been incurred, the amount of impairment loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flow (excluding future credit losses that have not been incurred) discounted at the original effective interest rate. The amount of loss is recognized in the statement of operations.

Held-to-maturity investments – these assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statement of operations.

Available-for-sale – non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the statements of operations and comprehensive loss.

The previously recognized impairment loss is reversed in a subsequent period if the amount of impairment loss decreases and the decrease is related to an event occurring after the initial recognition of the impairment loss. However, the reversal will not result in the carrying amount of the financial asset that exceeds the amortized cost would have been had the impairment not been recognized at the date of impairment reversal. The amount of impairment reversal is recognized in the statements of operations and comprehensive loss.

Financial Liabilities

The Company classifies its financial liabilities into one of two categories, at initial recognition. The Company's accounting policy for each category is as follows:

Fair value through profit or loss – this category comprises derivatives or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in the fair value recognized in the statement of operations.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Financial Liabilities (continued)

Other financial liabilities – this category includes accounts payable and accrued liabilities of which are recognized at amortized cost.

Accounting Standards Issued but Not Yet Effective

The following standards and interpretations have not been in effect as they will only be applied for the first time in future periods. They may result in consequential changes to the accounting policies and other note disclosures. The Company has not yet assessed the impacts of the standards or determined whether it will adopt the standards early.

IFRS 9 Financial instruments
IFRS 9 was issued in November 2009 and subsequently amended as part of an ongoing project to replace IAS 39 Financial instruments: Recognition and measurement. The standard requires the classification of financial assets into two measurement categories based on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. The two categories are those measured at fair value and those measured at amortized cost. The classification and measurement of financial liabilities is primarily unchanged from IAS 39. However, for financial liabilities measured at fair value, changes in the fair value attributable to changes in an entity's "own credit risk" is now recognized in other comprehensive income instead of in profit or loss. This new standard will also impact disclosures provided under IFRS 7 Financial instruments: disclosures.

In November 2013, the IASB amended IFRS 9 for the significant changes to hedge accounting. In addition, an entity can now apply the "own credit requirement" in isolation without the need to change any other accounting for financial instruments. The standard was initially effective for annual periods beginning on or after January 1, 2013, but the complete version of IFRS 9, issued in July 2014, moved the mandatory effective date to January 1, 2018. The Company does not expect this amendment to have a material impact on its consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers
In May 2014, the IASB issued IFRS 15, which covers principles for reporting about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The core principle of the new standard is that an entity recognizes revenue to represent the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard also provides a model for the recognition and measurement of gains or losses from sale of non-financial assets.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting Standards Issued but Not Yet Effective

IFRS 15 is effective for annual periods beginning on or after January 1, 2018 with earlier adoption permitted. The standard permits the use of either full or modified retrospective application. This new accounting guidance will also result in enhanced disclosures about revenue. The Company does not expect this amendment to have a material impact on its consolidated financial statements.

IAS 7 - Statement of Cash Flows (Amendment)
In January 2016, the International Accounting Standards Board (IASB) issued amendments to IAS 7 which were incorporated into Part I of the CPA Canada Handbook – Accounting by the Accounting Standards Board (AcSB) in April 2016. The amendments are part of the IASB's Disclosure Initiative to address some of the concerns expressed about existing presentation and disclosure requirements. The amendments require entities to provide disclosures that enable users of the financial statements to evaluate both cash flow and non-cash changes in liabilities arising from financing activities.

These amendments are effective for annual periods beginning on or after January 1, 2017. The Company does not expect this amendment to have a material impact on its consolidated financial statements.

IFRS 16 - Leases
On January 13, 2016, the International Accounting Standards Board published a new standard, IFRS 16, Leases, eliminating the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Under the new standard, a lease becomes an on-balance sheet liability that attracts interest, together with a new right-of-use asset. In addition, lessees will recognize a front-loaded pattern of expense for most leases, even when cash rentals are constant. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted. The extent of the impact of adoption of the standard has not yet been determined.

4. ACCOUNTS RECEIVABLE

The aging analysis of accounts receivable is as follows:

	Total	Current	31 - 60 Days	60 - 90 Days	> 90 Days
December 31, 2016	$ 222,813	$ 110,833	$ 63,286	$ 43,322	$ 5,372
December 31, 2015	$ 230,649	$ 93,763	$ 58,182	$ 37,238	$ 41,466

As at December 31, 2016, accounts receivable of an initial value of $13,000 (2015 – $17,079) were impaired and fully provided for allowance. See below for the movements in the provision for impairment of receivables.

4. ACCOUNTS RECEIVABLE (continued)

	$
As of December 31, 2014	26,750
Charge for the year	16,159
Utilized	(25,830)
As of December 31, 2015	17,079
Charge for the year	-
Utilized	(4,079)
As of December 31, 2016	13,000

5. PREPAID EXPENSES AND LONG-TERM PREPAID EXPENSES

Prepaid expense balances represent trade-show deposits and advances paid to suppliers for services to be rendered in the fiscal year 2017.

Long-term prepaid expense represents rental deposits paid to the landlords in relation to the office lease agreements for its premises, including deposits related to sub-leased premises. The deposits are classified as long-term assets since the leases mature beyond December 31, 2017.

6. EQUIPMENT

Cost	Computer Equipment	Computer Software	Office Equipment	Leasehold Improvements	Total
December 31, 2014	$ 138,436	$ 64,286	$ 20,818	$ 5,415	$ 228,955
Additions	27,544	-	16,092	-	43,636
December 31, 2015	165,980	64,286	36,910	5,415	272,591
Additions	22,006	-	47,050	-	69,056
December 31, 2016	$ 187,986	$ 64,286	$ 83,960	$ 5,415	$ 341,647

Accumulated Amortization	Computer Equipment	Computer Software	Office Equipment	Leasehold Improvements	Total
December 31, 2014	$ 132,840	$ 64,286	$ 9,470	$ 5,415	$ 212,011
Additions	5,480	-	10,189	-	15,669
December 31, 2015	138,320	64,286	19,659	5,415	227,680
Additions	17,424	-	19,002	-	36,426
December 31, 2016	$ 155,744	$ 64,286	$ 38,661	$ 5,415	$ 264,106

Carrying Amounts	Computer Equipment	Computer Software	Office Equipment	Leasehold Improvements	Total
December 31, 2015	$ 27,660	$ -	$ 17,251	$ -	$ 44,911
December 31, 2016	$ 32,242	$ -	$ 45,299	$ -	$ 77,541

7. DEFERRED DEVELOPMENT COSTS

Cost	Vending Machine	Xkey	PCI Compliance	Insight	Insight Web	Loyalty	Roomkey Web	Total
December 31, 2014	$ 75,900	$ 423,586	$ 73,839	$ 220,910	$ 307,074	$ 9,000	$ -	$ 1,110,309
Additions	-	-	-	-	-	-	242,851	242,851
December 31, 2015	75,900	423,586	73,839	220,910	307,074	9,000	242,851	1,353,160
Additions	-	-	-	-	-	-	797,161	797,161
December 31, 2016	$ 75,900	$ 423,586	$ 73,839	$ 220,910	$ 307,074	$ 9,000	$ 1,040,012	$ 2,150,321

Accumulated Amortization	Vending Machine	Xkey	PCI Compliance	Insight	Insight Web	Loyalty	Roomkey Web	Total
December 31, 2014	$ 75,900	$ 423,586	$ 73,839	$ 122,727	$ 168,891	$ -	$ -	$ 864,943
Additions	-	-	-	49,091	46,061	-	-	95,152
December 31, 2015	75,900	423,586	73,839	171,818	214,952	-	-	960,095
Additions	-	-	-	49,092	46,060	9,000	86,184	190,336
December 31, 2016	$ 75,900	$ 423,586	$ 73,839	$ 220,910	$ 261,012	$ 9,000	$ 86,184	$ 1,150,431

Carrying Amounts	Vending Machine	Xkey	PCI Compliance	Insight	Insight Web	Loyalty	Roomkey Web	Total
December 31, 2015	$ -	$ -	$ -	$ 49,092	$ 92,122	$ 9,000	$ 242,851	$ 393,065
December 31, 2016	$ -	$ -	$ -	$ -	$ 46,062	$ -	$ 953,828	$ 999,890

In 2015, the Company commenced work on a new project, RoomKey Web, to develop a PMS with a more flexible platform for integration with partner products and customer reporting. This new RoomKeyPMS product, once developed, will utilize a best-of-breed technology stack using Microsoft Azure as the foundation to provide on-demand availability and real-time scalability, combined with an intuitive interface constructed in HTML5 and AngularJS. It will be operating system and device agnostic, as well as offer multi-language and currency capabilities. This new PMS is being constructed and released to customers on a module by module basis. Once a module is complete and released, costs associated with that module will begin to be amortized over a five year period.

8. DEFERRED REVENUE AND CUSTOMER ADVANCES

Deferred revenue consists of pre-billed services, license fees, subscription fees and web design fees. Deferred revenues are recognized in revenue when the service is provided.

At December 31, 2016, 84% (2015 – 83%) of deferred revenue was denominated in US dollars, with the remaining 16% (2015 – 17%) in Canadian dollars.

9. SHARE CAPITAL

Authorized: Unlimited common shares without par value

Escrow Shares

As at December 31, 2016, the Company has no escrow shares.

Private Placements

On November 17, 2016, the Company closed the first tranche of non-brokerage private placement previously announced on October 25, 2016. The first tranche consisted of 3,785,845 units at a price of $0.13 per unit for gross proceeds of $492,160, with each unit comprised of one common share and one non-transferable share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of $0.20 until November 17, 2018. In connection with the first tranche, the Company paid finder’s fees totaling $12,441 and 102,623 share purchase warrants having the same terms, including acceleration, as the warrants.

On December 23, 2016, the Company closed the second and final tranche of non-brokerage private placement consisted of 357,307 units at a price of $0.13 per unit for gross proceeds of $46,450. Each unit is comprised of one common share and one non-transferable share purchase warrant. Each warrant entitles the holder to purchase one common share at $0.20 until December 23, 2018. In connection with the closing of the second tranche the Company paid finder’s fees totaling $1,287 and issued 9,900 share purchase warrants.

The Company incurred $31,625 share issuance cost in relation to the private placement. These costs included finder’s fees costs noted above, and other legal and regulatory costs.

9. SHARE CAPITAL (continued)

Stock Options

There were no options granted in the years ended December 31, 2016 and 2015.

A summary of the Company's stock options as at December 31, 2016 and 2015 is as follows:

	Number of Shares		Weighted Average Exercise Price
Options outstanding as at December 31, 2014	2,200,000	$	0.11
Exercised	(450,000)	$	0.11
Options outstanding and exercisable as at December 31, 2016 and 2015	1,750,000	$	0.11

The weighted average remaining contractual life of the outstanding stock options as at December 31, 2016 is 1.54 years (2015 – 2.54 years).

Date Issued	Number of Options		Exercise Price	Expiry Date	Weighted Average Remaining Contractual Life (in Years)
March 27, 2012	700,000	$	0.10	March 27, 2017 (575,000 exercised subsequently and the rest expired)	0.23
May 27, 2014	1,050,000	$	0.12	May 27, 2019 (200,000 cancelled subsequently)	2.40
	1,750,000	$	0.11		1.54

Warrants

A summary of the Company's warrants as at December 31, 2016 and 2015 are as follows:

	Number of Shares		Weighted Average Exercise Price
December 31, 2014	7,050,000	$	0.24
Exercised	(512,500)	$	0.15
Expired	(287,500)	$	0.15
December 31, 2015	6,250,000	$	0.25
Issued	4,255,675	$	0.20
Expired	(6,250,000)	$	0.25
Warrants outstanding as at December 31, 2016	4,255,675	$	0.20

9. SHARE CAPITAL (continued)

Warrants (continued)

The fair value of the warrants issued during the year was calculated as of the date of the grant using the Black-Scholes option pricing model with the following assumptions:

	November 17, 2016 Grant	December 23, 2016 Grant
Risk-free interest rate	0.67%	0.78%
Expected life of warrants in years	2 years	2 years
Expected volatility	102.04%	110.57%
Expected dividend yield	0%	0%
Estimated forfeiture rate	0%	0%

The weighted average remaining contractual life of the outstanding warrants at December 31, 2016 is as follows:

Date Issued	Number of Warrants	Exercise Price	Expiry Date	Weighted Average Remaining Contractual Life (in Years)
November 17, 2016	3,785,845	$ 0.20	November 17, 2018	1.88
November 17, 2016	102,623	$ 0.20	November 17, 2018	1.88
December 23, 2016	357,307	$ 0.20	December 23, 2018	1.98
December 23, 2016	9,900	$ 0.20	December 23, 2018	1.98
Warrants outstanding as at December 31, 2016	4,255,675	$ 0.20		1.89

10. RELATED PARTY TRANSACTIONS

Related party transactions not otherwise disclosed in these consolidated financial statements are as follows:

1. Director fee of $12,000 (2015 – $12,000) was paid to a director of the Company.

2. Salaries and employee benefits of $737,427 (2015 – $771,345) were paid to key management personnel.

3. Incentive of $nil (2015 – $23,637) was paid to the CEO of the Company.

4. The Company paid remuneration for management services to a company controlled by a director in common totaling $49,200 (December 31, 2015 - $nil).

Included in accounts payable and accrued liabilities at December 31, 2016 is $8,428 (2015 – $nil) receivable from directors.

These transactions are in the normal course of the operations on normal commercial terms and conditions and at exchange rates, which is the amount of consideration established and agreed to by the related parties.

11. FINANCIAL INSTRUMENTS

Financial Risk Management

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's maximum exposure to credit risk is in the carrying value of its Cash, accounts receivable and long-term receivables.

The Company's exposure to credit risk associated with its accounts receivable are the risk that a customer will be unable to pay amounts due to the Company. Accounts receivable are considered for impairment on a case-by-case basis when they are past due or when objective evidence is received that a customer will default. The credit risk of accounts receivable is affected by the customer base being concentrated in the hotel and travel industry. However, this is somewhat offset by the customer base being dispersed across various geographical locations.

As at December 31, 2016, there is $5,372 (2015 – $41,466) included in accounts receivable that is greater than 90 days old. However, the credit risk of these receivables is mitigated as they are generally comprised of sales involving “in-house” financing arrangements whereby the customer is paying for services over the term of their agreement. In-house financing arrangements are only provided to those customers following a valuation of their credit worthiness.

11. FINANCIAL INSTRUMENTS (continued)

Currency Risk

The functional currency of RSI is the Canadian dollar. Most of the foreign currency risk is related to US dollar funds held in bank, accounts receivable and accounts payable balances denominated in US dollar. Therefore, the Company's net loss is impacted by fluctuations in the valuation of the US dollar in relation to the Canadian dollar.

The Company does not hedge its exposure to currency fluctuations. The Company has completed a sensitivity analysis to estimate the impact that a change in foreign exchange rates would have on the net loss of the Company, based on the Company's financial instruments in US dollar as at year end. This sensitivity analysis shows that a change of +/- 10% in US$ foreign exchange rate would have a -/+ $15,789 impact on net loss.

Interest Rate Risk

The Company is only subject to interest rate risk on its cash balance in the bank and there is unlikely to be a material impact on net income (loss).

Liquidity Risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time.

As at December 31, 2016, the Company had total debt in the amount of $322,147 due within 12 months (2015- $468,380). As at December 31, 2016, the Company held cash of $378,767 (2015- $1,145,427) and accounts receivable of $222,813(2015- $230,649).

The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves to meet its liquidity requirements at any point in time. Management recognizes the Company may need to expand its cash reserves in the coming year if it intends to adhere to its sales, marketing, and product development plans, and has evaluated its potential sources of funds, including: increased revenue from sale of its products and services, and possible debt and equity financing options. Although Management intends to assess and act on these options through the course of the year, there can be no assurance that the steps Management takes will be successful.

11. FINANCIAL INSTRUMENTS (continued)

Management of Capital

The Company's objectives in managing capital are to ensure sufficient liquidity to pursue its strategy of growth combined with strategic acquisitions and to provide returns to its shareholders. RSI defines capital that it manages as the aggregate of its shareholders' equity, which is comprised of issued capital, contributed surplus and deficit. The Company manages its capital structure and makes adjustments to it in light of general economic conditions, the risk characteristics of the underlying assets and the Company's working capital requirements. In order to maintain or adjust its capital structure, the Company, upon approval from its Board of Directors, may issue shares, issue debt, pay dividends or undertake other activities as deemed appropriate under the specific circumstances. The Company is not subject to externally imposed capital requirements as at December 31, 2016. The Company's overall strategy with respect to management of capital at December 31, 2016 remains fundamentally unchanged from the year ended December 31, 2015.

The Company has classified its financial instruments as follows:

	December 31, 2016 $	December 31, 2015 $
Financial Assets		
Fair value through profit and loss, measured at fair value:		
Cash	378,767	1,145,427
Loans and receivables, recorded at amortized cost:		
Accounts receivable	222,813	230,649
Financial Liabilities		
Other financial liabilities, recorded at amortized cost:		
Accounts payable and accrued liabilities	322,147	468,380

Fair Value

Financial instruments recorded at fair value are measured using a three-level fair value hierarchy:

- Level 1 Fair value is determined by reference to quoted prices in active markets for identical assets and liabilities
- Level 2 Fair value is determined based on inputs other than quoted prices for which all significant inputs are observable, either directly or indirectly
- Level 3 Fair value is determined based on inputs that are unobservable and significant to the overall fair value measurement

The Company's cash is recorded at fair value using level 1 hierarchy.

11. FINANCIAL INSTRUMENTS (continued)

Fair Value (continued)

The carrying value of Cash, accounts receivable, and accounts payable and accrued liabilities approximates the fair value because of the short-term of these instruments.

12. SEGMENTED DISCLOSURE

A geographical breakdown of sales to customers is as follows:

	Year Ended December 31, 2016	%	Year Ended December 31, 2015	%
Canada	$ 954,327	19%	$ 820,814	18%
USA	3,503,285	70%	3,114,178	69%
Other	524,467	11%	557,430	13%
Total	$ 4,982,079	100%	$ 4,492,422	100%

All of the Company's non-current assets are located in Canada.

13. COMMITMENTS

The Company entered into an office lease agreement for its premises on October 1, 2012. The lease expires on September 30, 2017. In December 2013, the Company's landlord exercised a relocation clause in the lease agreement to relocate the Company to another office space. Management deemed the office space to be unsuitable for the Company's use. Unable to terminate the signed lease agreement, in February 2014 the Company agreed to a much smaller office space and renegotiated the terms of the lease agreement. The "new" lease is a continuation of the existing lease agreement and expires on September 30, 2017. The remaining minimum lease payment is as follow:

2017	$ 17,055

As of October 2014, the Company has entered into a sub-lease agreement for the term November 1, 2014 to September 29, 2017. Payment receivable under the lease is as follows:

2017	$ 22,500

Due to the above situation, in February 2014, the Company entered into another office lease agreement for new office space. The lease expires on March 31, 2019. The minimum lease payments are as follows:

13. COMMITMENTS (continued)

Year		Amount
2017	$	83,888
2018		84,738
2019		21,238
Total	$	189,864

The Company has entered into a sub-lease agreement relating to the office space above for the term November 2016 to March 2019 as it has moved to more suitable office premises. The minimum payments to be received are as follows:

Year		Amount
2017	$	74,190
2018		88,348
2019		22,087
Total	$	184,625

The Company collected a security deposit totaling $10,741 which will be applied to the last month's rent in March 2019.

During the second quarter of 2016, the Company entered into a lease agreement for a larger office space to accommodate its increased staff. The agreement expires on December 1, 2021. The minimum payments are as follows:

Year		Amount
2017	$	193,746
2018		193,746
2019		201,654
2020		201,654
2021		192,099
Total	$	982,899

In addition, on December 14, 2015, the Company entered into a data service agreement for its data centre. The agreement expires on June 14, 2017. The minimum payment is as follows in USD:

Year		Amount
2017	$	93,222

14. INCOME TAX

The following table reconciles the expected income tax expense (recovery) at the Canadian statutory income tax rates to the amounts recognized in the consolidated statements of operations for the years ended December 31, 2016 and 2015:

	2016	2015
	$	$
Net loss before tax	(641,672)	(207,735)
Statutory tax rate	26.00%	26.00%
Expected income tax (recovery)	(166,835)	(54,011)
Non-deductible items	2,560	1,359
Change in deferred tax asset not recognized	164,275	52,652
Total tax expense (recovery)	-	-

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their corresponding values for tax purposes.

Deferred tax asset (liabilities) at December 31, 2016 and 2015 are comprised of the following:

	2016	2015
	$	$
Non-capital loss carryforwards	30,301	-
Intangible assets	(30,301)	-
	-	-

The unrecognized deductible temporary differences at December 31, 2016 and 2015 are comprised of the following:

	2016	2015
	$	$
Non capital loss carryforwards	3,247,822	2,160,947
Intangible assets	-	490,282
Equipment	277,411	240,985
Charitable donations	5,316	8,349
Financing costs	33,296	11,991
Total unrecognized deductible temporary differences	3,563,845	2,912,554

14. INCOME TAX (continued)

As at December 31, 2016, the Company has not recognized a deferred tax asset in respect of charitable donations of approximately $5,316 (2015: $8,349) which may be carried forward to apply against future income for Canadian income tax purposes, subject to the final determination by taxation authorities. The charitable donations may be carried forward to 2021.

As at December 31, 2016, the Company has not recognized a deferred tax asset in respect of non - capital loss carryforwards of approximately $3,247,822 (2015: $2,160,947) which may be carried forward to apply against future income for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

Expiry	$
2025	399,236
2026	453,178
2027	124,389
2028	41,442
2030	13,799
2032	244,320
2033	80,233
2034	600,470
2035	83,523
2036	1,207,232
TOTAL	3,247,822

The deferred tax assets have not been recognized because at this stage of the Company's development, it is not probable that future taxable profit will be available against which the Company can utilize such deferred tax assets.

15. SUBSEQUENT EVENTS

On January 25, 2017, the Company has implemented the amended stock option plan previously approved by shareholders at its annual general meeting held on August 24, 2016. The plan is subject to acceptance by the TSX Venture Exchange and reserves a fixed 6,393,425 common shares for issuance pursuant to options, less any common shares reserved for currently outstanding stock options.

The Company has also granted incentive stock options to purchase an aggregate of 1,375,000 common shares of the Company to officers, managers and directors of the Company. The options vest over two years, are exercisable at a price of $0.20 for a period of five years, and are subject to TSX-V acceptance of the plan. On the same date, the Company also cancelled 200,000 stock options valued at $0.12 and expiring on May 27, 2019.