RSI INTERNATIONAL SYSTEMS INC.

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

(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 18, 2018

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

(signed)
"Giovanni Susin"
Chief Financial Officer

MNP LLP

Independent Auditors' Report

To the Shareholders of RSI International Systems Inc.:

We have audited the accompanying consolidated financial statements of RSI International Systems Inc., which comprise the consolidated statement of financial position as at December 31, 2017 and 2016, and the consolidated statements of operations and comprehensive loss, changes in shareholders' 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 financial position of RSI International Systems Inc. as at December 31, 2017 and 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which states that RSI International Systems Inc. incurred significant loss from operations, negative cash flows and has an accumulated deficit. This, along with other matters described in Note 1, indicates the existence of a material uncertainty that may cast significant doubt about the ability of RSI International Systems Inc. to continue as a going concern.

Vancouver, British Columbia

April 18, 2018

Chartered Professional Accountants

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

	Notes		**December 31, 2017**		December 31, 2016
ASSETS					
Current					
Cash		**$**	**101,736**	$	378,767
Accounts Receivable, net of allowance	4		**114,718**		222,813
Prepaid Expenses	5		**92,880**		61,770
			309,334		663,350
Long-Term Prepaid Expenses	5		**34,932**		45,020
Equipment	6		**41,320**		77,541
Deferred Development Costs	7		**1,344,538**		999,890
		$	**1,730,124**	$	1,785,801
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current					
Accounts Payable & Accrued Liabilities		**$**	**530,310**	$	322,147
GST Payable			**2,574**		5,735
Deferred Revenue	8		**476,942**		481,149
			1,009,826		809,031
Security Deposit	13		**97,729**		10,741
			1,107,555		819,772
Shareholders' Equity					
Share Capital	9		**5,633,039**		5,512,330
Contributed Surplus			**556,634**		480,144
Deficit			**(5,567,104)**		(5,026,445)
			622,569		966,029
		$	**1,730,124**	$	1,785,801

Note 1 – Nature of operations and going concern

Note 13 – Commitments

Note 15 – Subsequent events

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, 2017 and 2016
(in Canadian dollars)

	Notes		2017		2016
REVENUES		**$**	**4,909,702**	$	4,982,079
COST OF SALES			**775,621**		777,055
GROSS PROFIT			**4,134,081**		4,205,024
EXPENSES					
Amortization of Equipment	6		**40,356**		36,426
Amortization of Deferred Development Costs	7		**206,535**		181,336
Impairment of Deferred Development Costs			**-**		9,000
Bad Debt	4		**25,154**		(4,079)
Business Development and Travel			**111,982**		278,569
Filing and Transfer Agent Fees			**17,808**		19,874
Foreign Exchange (Gain) Loss			**11,615**		34,489
Internet and Networking			**45,979**		50,419
Interests and Bank Charges			**57,683**		44,478
Investor Relations			**20,938**		10,006
Marketing			**295,676**		230,321
Office and Miscellaneous			**176,424**		191,674
Professional Fees			**264,962**		389,665
Rent and Utilities			**354,766**		177,923
Salaries and Benefits			**2,732,714**		3,149,751
Stock-based Compensation	9		**121,699**		-
Software Licenses			**60,449**		46,844
Loss on settlement of contract	15		**130,000**		-
			4,674,740		4,846,696
LOSS AND COMPREHENSIVE LOSS FOR THE YEAR			**(540,659)**		(641,672)
Loss Per Share - Basic and Diluted		**$**	**(0.01)**	$	(0.02)
Weighted average number of shares outstanding – Basic and diluted			**36,604,662**		32,431,333

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	Contributed Surplus	Deficit	Total Equity
		$	$	$	$
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)
Loss 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
Shares issued upon exercise of options	725,000	75,500	-	-	75,500
Fair value of options exercised	-	45,209	(45,209)	-	-
Stock-based compensation			121,699		121,699
Loss and comprehensive loss for the period	-	-	-	(540,659)	(540,659)
BALANCE, DECEMBER 31, 2017	**36,835,278**	**5,633,039**	**556,634**	**(5,567,104)**	**622,569**

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, 2017 AND 2016
(in Canadian dollars)

	Notes	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Loss for the Year		**$ (540,659)**	$ (641,672)
Items not Affecting Cash:			
Amortization of Equipment		**40,356**	36,426
Amortization of Deferred Development Costs		**206,535**	181,336
Impairment of Deferred Development Costs		**-**	9,000
Stock-based Compensation		**121,699**	-
Bad Debt		**25,154**	(4,079)
		(146,915)	(418,989)
Changes in Non-Cash Working Capital Items:			
Decrease in Accounts Receivable		**82,941**	16,133
(Increase) Decrease in Prepaid Expenses		**(21,023)**	6,134
Increase (Decrease) in Accounts Payable and Accrued Liabilities		**208,163**	(146,233)
Increase (Decrease) in GST Payable		**(3,161)**	5,735
Increase (Decrease) in Deferred Revenue		**(4,207)**	111,153
Net Cash Provided by (Used in) Operating Activities		**115,798**	(426,067)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of Equipment		**(4,135)**	(69,056)
Deferred Development Costs		**(551,183)**	(797,161)
Net Cash Used in Investing Activities		**(555,318)**	(866,217)
CASH FLOWS FROM FINANCING ACTIVITIES			
Security Deposit Received		**86,989**	10,741
Issuance of Common Shares, net of shares issuance costs		**-**	514,883
Issuance of Shares Upon Exercise of Options		**75,500**	-
Net Cash Provided by Financing Activities		**162,489**	525,624
Change in Cash During the Year		**(277,031)**	(766,660)
Cash, Beginning of Year		**378,767**	1,145,427
Cash, End of Year		**$ 101,736**	$ 378,767

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 Unit 8152, 200-375 Water Street, Vancouver, BC, V6B 0M9. The consolidated financial statements of the Company as at and for the year ended December 31, 2017 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 18, 2018.

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, 2017 and has incurred a net loss of $540,659 (2016 – $641,672) and an accumulated deficit as of December 31, 2017 of $5,567,104 (2016 – $5,026,445).

Accordingly, there is a material uncertainty that may 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, possible debt and equity financing options, and the divestiture of assets. 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.

Financial Instruments

Financial Assets

The Company's financial instruments consist of cash, accounts receivable, and accounts payable and accrued liabilities. All financial assets are initially recorded at fair value. 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 asset (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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Financial Liabilities

The Company classifies its financial liabilities into one of two categories, at initial recognition. All financial liabilities are initially recorded at fair value. 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting Standards Issued but Not Yet Effective (continued)

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.

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 will adopt IFRS 15 effective January 1, 2018 applying the retrospective method of transition. Based on the Company's preliminary assessment, the adoption of this standard will not 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, 2017	$ 114,718	$ 61,162	$ 16,928	$ 130	$ 36,498
December 31, 2016	$ 222,813	$ 110,833	$ 63,286	$ 43,322	$ 5,372

As at December 31, 2017, accounts receivable of an initial value of $22,902 (2016 – $13,000) were impaired and fully provided for allowance. See below for the movements in the provision for impairment of receivables.

	$
As of December 31, 2015	17,079
Charge for the year	-
Utilized	(4,079)
As of December 31, 2016	13,000
Charge for the year	25,154
Utilized	(15,252)
As of December 31, 2017	22,902

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 2018.

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, 2018.

6. EQUIPMENT

Cost	Computer Equipment	Office Equipment	Total
December 31, 2015	$ 165,980	$ 36,910	$ 202,890
Additions	22,006	47,050	69,056
December 31, 2016	187,986	83,960	271,946
Additions	4,135	-	4,135
December 31, 2017	$ 192,121	$ 83,960	$ 276,081

Accumulated Amortization	Computer Equipment	Office Equipment	Total
December 31, 2015	$ 138,320	$ 19,659	$ 157,979
Additions	17,424	19,002	36,426
December 31, 2016	155,744	38,661	194,405
Additions	17,709	22,647	40,356
December 31, 2017	$ 173,453	$ 61,308	$ 234,761

Carrying Amounts	Computer Equipment	Office Equipment	Total
December 31, 2016	$ 32,242	$ 45,299	$ 77,541
December 31, 2017	$ 18,668	$ 22,652	$ 41,320

7. DEFERRED DEVELOPMENT COSTS

Cost	Insight	Insight Web	Loyalty	Roomkey Web	Total
December 31, 2015	$ 220,910	$ 307,074	$ 9,000	$ 242,851	$ 779,835
Additions	-	-	-	797,161	797,161
December 31, 2016	220,910	307,074	9,000	1,040,012	1,576,996
Additions	-	-	-	551,183	551,183
December 31, 2017	$ 220,910	$ 307,074	$ 9,000	$ 1,591,195	$ 2,128,179

Accumulated Amortization	Insight	Insight Web	Loyalty	Roomkey Web	Total
December 31, 2015	$ 171,818	$ 214,952	$ -	$ -	$ 386,770
Additions	49,092	46,060	9,000	86,184	190,336
December 31, 2016	220,910	261,012	9,000	86,184	577,106
Additions	-	46,062	-	160,473	206,535
December 31, 2017	$ 220,910	$ 307,074	$ 9,000	$ 246,657	$ 783,641

Carrying Amounts	Insight	Insight Web	Loyalty	Roomkey Web	Total
December 31, 2016	$ -	$ 46,062	$ -	$ 953,828	$ 999,890
December 31, 2017	$ -	$ -	$ -	$ 1,344,538	$ 1,344,538

In 2015, the Company commenced work on a new project, RoomKey Web, to develop a Property Management System ("PMS") with a more flexible platform for integration with partner products and customer reporting. Once a new feature is complete and released, costs associated with that feature will begin to be amortized over a five year period.

To date the Company has released mobile housekeeping, an enhanced credit card security platform, and a fuzzy-logic guest data management system named Profile, Match and Merge.

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, 2017, 83% (2016 – 84%) of deferred revenue was denominated in US dollars, with the remaining 17% (2016 – 16%) in Canadian dollars.

9. SHARE CAPITAL

Authorized: Unlimited common shares without par value

Escrow Shares

As at December 31, 2017, 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.

Exercise of Options

During year ended December 31, 2017, 725,000 common shares were issued upon exercise of 575,000 stock options at $0.10 per share and 150,000 stock options at $0.12 per share for gross proceeds of $75,500. On exercise of such options, $45,209 has been reclassified to share capital from contributed surplus

9. SHARE CAPITAL (continued)

Stock Options

On January 25, 2017, the Company implemented the amended stock option plan previously approved by shareholders at its annual general meeting held on August 24, 2016. The Company has also granted 1,375,000 incentive stock options to the officers, managers and directors of the Company at an exercise price of $0.20 per share with a term of five years and vesting 1/3 immediately, 1/3 on the first year anniversary date, and 1/3 on the second year anniversary date. On the same date, the Company also cancelled 200,000 stock options valued at $0.12 and expiring on May 27, 2019. In September 2017, the Company cancelled an additional 350,000 options valued at $0.12 and expiring on May 27, 2019.

On November 15, 2017, the Company granted to one of its managers 50,000 stock options at an exercise price of $0.20 per share with a term of five years and vesting 1/3 immediately, 1/3 on the first year anniversary date, and 1/3 on the second year anniversary date.

The fair value of the stock options granted during the period was calculated as of the date of the grant using the Black-Scholes option pricing model with the following assumptions:

	January 23, 2017 Grant	November 15, 2017 Grant
Risk-free interest rate	0.99%	1.58%
Expected life of warrants in years	5 years	5 years
Expected volatility	105.50%	92.56%
Expected dividend yield	0%	0%
Estimated forfeiture rate	0%	0%

During the year ended December 31, 2017, stock-based compensation expense of $121,699 (2016 – $nil) was recognized.

9. SHARE CAPITAL (continued)

Stock Options (continued)

A summary of the Company's stock options as at December 31, 2017 and 2016 is as follows:

	Number of Shares		Weighted Average Exercise Price
Options outstanding as at December 31, 2015 and 2016	1,750,000	$	0.11
Cancelled	(550,000)		0.12
Exercised	(725,000)		0.10
Expired	(125,000)		0.10
Granted	1,425,000		0.20
Options outstanding as at December 31, 2017	1,775,000	$	0.18

The weighted average remaining contractual life of the outstanding stock options as at December 31, 2017 is 3.56 years (December 31, 2016 – 1.54 years).

Date Issued	Number of Options		Exercise Price	Expiry Date	Weighted Average Remaining Contractual Life (in Years)
May 27, 2014	350,000	$	0.12	May 27, 2019	1.40
January 23, 2017	1,375,000	$	0.20	January 23, 2022	4.07
November 15, 2017	50,000	$	0.20	November 15, 2022	4.88
	1,775,000	$	0.18		3.56

Warrants

A summary of the Company's warrants as at December 31, 2017 and 2016 are as follows:

	Number of Shares		Weighted Average Exercise Price
Warrants outstanding as at 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 and 2017	4,255,675	$	0.20

9. SHARE CAPITAL (continued)

Warrants (continued)

The fair value of the warrants issued during 2016 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, 2017 and 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	0.88
November 17, 2016	102,623	0.20	November 17, 2018	0.88
December 23, 2016	357,307	0.20	December 23, 2018	0.98
December 23, 2016	9,900	0.20	December 23, 2018	0.98
Warrants outstanding as at December 31, 2017 and 2016	4,255,675	$ 0.20		0.89

10. RELATED PARTY TRANSACTIONS

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

1. Director fee of $nil (2016 – $12,000) was paid to a director of the Company.
2. Salaries and employee benefits of $555,878 (2016 – $737,427) were paid to key management personnel.
3. The Company paid remuneration for management services to a company controlled by a director in common totaling $64,800 (2016 - $49,200).
4. The company granted 1,425,000 stock options to its officers, manager and directors (2016 – Nil).

Included in accounts payable and accrued liabilities is $nil (2016 – $8,428) 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 and accounts receivable.

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, 2017, there is $36,498 (2016 – $5,372) 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 -/+ $1,531 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, 2017, the Company had total debt in the amount of $530,310 due within 12 months (2016- $322,147). As at December 31, 2017, the Company held cash of $101,736 (2016- $378,767) and accounts receivable of $114,718 (2016- $222,813).

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, possible debt and equity financing options, and divestiture of assets. 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.

In October 2017 the Company negotiated a line of credit arrangement with its bank for up to $400,000. The interest charged will be prime + 5.93%. The Company is required to maintain monthly recurring revenue of not less than $200,000 calculated on a rolling three month average and maintain on a consolidated basis net invested capital of $1.8 million with net invested capital being defined as share capital. The Company may borrow, repay and re-borrow up to the amount of the facility provided the facility is made available at the sole discretion of the Bank and the Bank may cancel or restrict the availability of any unutilized portion at any time and from time to time without notice. As of December 31, 2017, the Company has not utilized this line of credit facility.

Other than the requirements relating the line of credit arrangement noted above, the Company is not subject to any other externally imposed capital requirements as at December 31, 2017. The Company's overall strategy with respect to management of capital at December 31, 2017 remains fundamentally unchanged from the year ended December 31, 2016.

The Company has classified its financial instruments as follows:

	December 31, 2017 $	December 31, 2016 $
Financial Assets		
Fair value through profit and loss, measured at fair value:		
Cash	101,736	378,767
Loans and receivables, recorded at amortized cost:		
Accounts receivable	114,718	222,813
Financial Liabilities		
Other financial liabilities, recorded at amortized cost:		
Accounts payable and accrued liabilities	530,310	322,147

11. FINANCIAL INSTRUMENTS (continued)

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.

The carrying value of 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, 2017	%		Year Ended December 31, 2016	%
Canada	$	943,239	19%	$	954,327	19%
USA		3,501,990	71%		3,503,285	70%
Other		464,473	10%		524,467	11%
Total	$	4,909,702	100%	$	4,982,079	100%

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

13. COMMITMENTS

In February 2014, the Company entered into an office lease agreement. The lease expires on March 31, 2019. The minimum lease payments are as follows:

2018	$	84,738
2019		21,237
Total	$	105,975

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:

2018	$	88,348
2019		22,087
Total	$	110,435

The Company collected a security deposit totaling $10,740 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:

2018	$	193,746
2019		201,654
2020		201,654
2021		192,098
Total	$	789,152

13. COMMITMENTS (continued)

In October 2017 the Company decided that, due to its staff make up and skill sets, that productivity and economic efficiency gains would be achieved by having them work from virtual offices. Therefore, the Company entered into a sublease agreement for the above noted office space. The agreement expires on November 29, 2021. The minimum payments to be received are as follows:

2018	$	202,972
2019		221,424
2020		221,424
2021		202,972
Total	$	848,792

The Company collected a security deposit totaling $86,988. $28,996 of which will be applied to the 13th and 25th months' rent plus any applicable GST respectively, and the remaining $28,996 will be held as security deposit over the term.

The Company's staff began working from virtual offices in December 2017.

In addition, in October 2017, the Company entered into a data service agreement for its data centre. The agreement expires in March 2018. The minimum payment committed in 2018 total $59,811 USD.

Also, see Note 15.

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, 2017 and 2016:

	2017	2016
	$	$
Net loss before tax	(540,659)	(641,672)
Statutory tax rate	26%	26.00%
Expected income tax (recovery)	(140,571)	(166,835)
Non-deductible items	32,595	2,560
Change in deferred tax asset not recognized	107,976	164,275
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, 2017 and 2016 are comprised of the following:

	2017	2016
	$	$
Non-capital loss carry forwards	124,522	30,301
Intangible assets	(124,522)	(30,301)
	-	-

The unrecognized deductible temporary differences at December 31, 2017 and 2016 are comprised of the following:

	2017	2016
	$	$
Non capital loss carry forwards	3,117,304	3,247,822
Equipment	317,768	277,411
Charitable donations	13,665	5,316
Financing costs	22,973	33,296
Total unrecognized deductible temporary differences	3,471,710	3,563,845

14. INCOME TAX (continued)

As at December 31, 2017, the Company has not recognized a deferred tax asset in respect of charitable donations of approximately $13,665 (2016: $5,316) 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 five years and begin to expire in 2020.

As at December 31, 2017, the Company has not recognized a deferred tax asset in respect of non-capital loss carryforwards of approximately $3,117,304 (2016: $3,247,822) 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	$
2026	116,376
2027	41,442
2029	13,799
2032	244,320
2033	80,233
2034	600,470
2035	83,523
2036	1,207,232
2037	729,909
TOTAL	3,117,304

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 February 13, 2018, the Company entered into the Settlement Agreement with one of its largest customers related to a contract dispute that arose between the two parties.

Pursuant to this settlement agreement, the Company has recorded $130,000 in accounts payable and accrued liabilities which is payable to this former customer in installments over a 12-month period started from March 2018. The Company will also continue to provide services until May 15, 2018 at no charge.