RSI INTERNATIONAL SYSTEMS INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the nine months ended September 30, 2020 and 2019

(Unaudited)

(In Canadian Dollars)

RSI International Systems Inc.

Notice to Reader:

These condensed consolidated interim financial statements of RSI International Systems Inc. (the "Company") have been prepared by management and reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors of the Company. In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its external auditors have not reviewed these condensed consolidated interim financial statements, notes to condensed consolidated financial statements and the related quarterly Management Discussion and Analysis.

RSI INTERNATIONAL SYSTEMS INC.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(Unaudited, in Canadian dollars)

	Notes		**September 30, 2020**		December 31, 2019
ASSETS					
Current					
Cash		**$**	**47,363**	$	269,928
Short-term investment – GIC	4		**5,009,617**		5,001,000
Receivable	5		**55,033**		99,187
Lease receivables	6,9		**161,502**		187,914
Prepaid Expenses			**45,872**		25,288
			5,319,387		5,583,317
Long-Term Prepaid Expenses			**-**		24,844
Long Term Lease Receivables	6,9		**85,691**		191,918
		$	**5,405,078**	$	5,800,079
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current					
Accounts Payable & Accrued Liabilities		**$**	**32,479**	$	209,145
Lease liability	6,9		**152,234**		170,820
			184,713		379,965
Long Term Lease Liability	6,9		**78,512**		181,453
Security Deposit			**-**		28,997
			263,225		590,415
Shareholders' Equity					
Share Capital	7		**5,633,039**		5,633,039
Contributed Surplus			**694,796**		668,892
Deficit			**(1,185,982)**		(1,092,267)
			5,141,853		5,209,664
		$	**5,405,078**	$	5,800,079

Note 1 – Nature of operations

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

RSI INTERNATIONAL SYSTEMS INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME
(Unaudited in Canadian dollars)

	Notes	Three months ended		Nine months ended	
		September 30, 2020	September 30, 2019	**September 30, 2020**	September 30, 2019
REVENUES		**$ -**	$ -	**$ -**	$ 443,093
COST OF SALES		**-**	-	**-**	40,425
GROSS PROFIT		**-**	-	**-**	402,668
EXPENSES					
Amortization of Equipment		**-**	-	**-**	1,904
Amortization of Deferred Development Costs		**-**		**-**	17,015
Bad Debt		**-**	-	**-**	12,277
Business Development and Travel		**-**	-	**4,375**	5,085
Filing and Transfer Agent Fees		**2,575**	2,680	**12,914**	11,301
Foreign Exchange (Gain) Loss		**-**	2,294	**-**	(19,644)
Internet and Networking		**-**	-	**-**	45,514
Interests and Bank Charges		**679**	366	**4,008**	8,220
Interest income		**(17,400)**	(28,473)	**(62,141)**	(56,327)
Investor Relations		**-**	-		938
Marketing		**-**	-	**-**	34,539
Office and Miscellaneous		**12,824**	1,143	**25,398**	6,784
Professional Fees		**31,343**	19,208	**85,485**	110,661
Rent and Utilities		**-**	(9,221)	**-**	15,599
Salaries and Benefits	**8**	**-**	-	**-**	187,856
Stock-based Compensation	**7**	**5,211**	28,565	**25,904**	78,436
Lease accretion (gain), net	**6**	**(806)**	(897)	**(2,228)**	(46,510)
Gain on disposal of assets		**-**	-	**-**	(4,625,870)
		34,426	15,665	**93,715**	(4,212,222)
NET (LOSS) INCOME AND COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD		**(34,426)**	(15,665)	**(93,715)**	4,614,890
(Loss) Earnings Per Share - Basic and Diluted		**$ (0.00)**	$ (0.00)	**$ (0.00)**	$ 0.13
Weighted average number of shares outstanding – basic & diluted		**36,835,278**	36,835,278	**36,835,278**	36,835,278

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

RSI INTERNATIONAL SYSTEMS INC.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited, in Canadian dollars, except share number)

	Issued Common Shares				
	Number	Amount Received	Contributed Surplus	Deficit	Total Equity
		$	$	$	$
BALANCE, DECEMBER 31, 2019	**36,835,278**	**5,633,039**	**668,892**	**(1,092,267)**	**5,209,664**
Stock-based compensation	-	-	25,904	-	25,904
Net and comprehensive income for the period	-	-	-	(93,715)	(93,715)
BALANCE, SEPTEMBER 30, 2020	**36,835,278**	**5,633,039**	**694,796**	**(1,185,982)**	**5,141,853**
BALANCE, DECEMBER 31, 2018	**36,835,278**	**5,633,039**	**571,996**	**(5,626,862)**	**578,173**
Stock-based compensation			78,436		78,436
Loss and comprehensive loss for the period	-	-	-	4,614,890	4,614,890
BALANCE, SEPTEMBER 30, 2019	**36,835,278**	**5,633,039**	**650,432**	**(1,011,972)**	**5,271,499**

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

RSI INTERNATIONAL SYSTEMS INC.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

(Unaudited, in Canadian dollars)

		Three months ended		Nine months ended	
	Notes	**September 30, 2020**	September 30, 2019	**September 30, 2020**	September 30, 2019 (see note 2)
CASH FLOWS FROM OPERATING ACTIVITIES					
Net (loss) income for the period		**$ (34,426)**	$ (15,665)	**$ (93,715)**	$ 4,614,890
Items not Affecting Cash:					
Amortization of Equipment		**-**	-	**-**	1,904
Amortization of Deferred Development Costs		**-**	-	**-**	17,015
Lease accretion gain, net (note 6)		**(806)**	(896)	**(2,228)**	(46,510)
Gain on disposal of assets		**-**	-	**-**	(4,625,870)
Bad Debt		**-**	-	**-**	12,277
Stock-based Compensation (note 7)		**5,211**	28,565	25,904	78,436
		(30,021)	12,004	**(70,039)**	52,142
Changes in Non-Cash Working Capital Items:					
Decrease (increase) in Receivable		**(18,596)**	(5,311)	**44,155**	(35,399)
Decrease (increase) in Prepaid Expenses		**(1,219)**	(8,000)	**4,260**	(32,336)
Decrease in Accounts Payable and Accrued Liabilities		**(60,830)**	(17,793)	**(167,217)**	(183,352)
(Decrease) in GST Payable		**-**	-	**-**	(16,567)
Decrease in Deferred Revenue		**-**	-	**-**	(21,044)
		(110,666)	(19,100)	**(188,841)**	(236,556)
Interest on lease liability payment (note 6)		**-**	(8,324)	**(8,462)**	(34,487)
Interest on lease receivable receipt (note 6)		**-**	13,519	**9,236**	37,640
Variable lease expense payment (note 6)		**-**	(34,942)	**(34,238)**	(102,712)
Variable lease expense receipts (note 6)		**-**	33,885	**22,590**	101,655
Short-term lease payment (note 6)		**-**	-	**-**	(11,150)
Short-term sublease proceeds (note 6)		**-**	-	**-**	11,347
Net Cash (Used in) Flow by Operating Activities		**(110,666)**	(14,962)	**(199,715)**	(234,263)
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of short term investment		**-**	-	**(108,617)**	(5,001,000)
Lease receivable receipts (note 6)		**-**	53,184	**27,668**	128,428
Proceeds received from disposition short term investment		**100,000**	-	**100,000**	5,576,164
Transaction cost		**-**	-	**-**	(254,162)
Net Cash (Used in) Flow by Investing Activities		**100,000**	53,184	**19,051**	449,430
CASH FLOWS FROM FINANCING ACTIVITIES					
Lease payments (note 6)		**-**	(52,912)	**(41,901)**	(117,669)
Net Cash Used In Financing Activities		**-**	(52,912)	**(41,901)**	(117,669)
Change in Cash During the period		**(10,666)**	(14,690)	**(222,565)**	97,498
Cash, Beginning of period		**58,029**	324,434	**269,928**	212,246
Cash, End of period		**$ 47,363**	$ 309,744	**$ 47,363**	$ 309,744

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

1. NATURE OF OPERATIONS

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 Suite 1201 – 1166 Alberni Street, Vancouver, BC, V6E 3Z3. The unaudited condensed consolidated interim financial statements of the Company as at and for the period ended September 30, 2020 include the Company and its subsidiary (together referred to as the "Group"). The Group was in the business of providing an integrated web-based real-time reservation and property management system to the hotel and resort industries. The Company sold its RoomKeyPMS business in Q1 2019 and is currently looking for other ventures to build value for its shareholders.

On August 13, 2019, the Company transitioned from the TSX-V to the NEX, the Company's trading symbol changed from RSY to RSY.H. There was no change in the Company's name, its CUSIP number and there was no consolidation of capital. The NEX is a separate board of the TSX-V.

These consolidated financial statements were approved and authorized for issue by the Board of Directors on November 17, 2020.

These consolidated 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. During the period ended September 30, 2020, net loss was $93,715 (2019 net income – $4,614,890). The Company also has a working capital of $5,134,674 (December 31, 2019 – $5,203,352) and an accumulated deficit as of September 30, 2020 of $1,185,982 (December 31, 2019 – $1,092,267).

Accordingly, there is a material uncertainty that may cast significant doubt on the validity of this assumption. Although the Company has a positive working capital, the Company has no operating revenue that will cover all of its o operating expenses. 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 adjustment may be necessary in the carrying values of assets and liabilities and the reported expenses. These consolidated financial statements do not reflect any adjustment, 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.

MERGER WITH HIRE TECHNOLOGIES INC.

On February 21, 2020, HIRE Technologies Inc. (formerly Bay Talent Group Inc.)("HIRE") and the RSI jointly announced a binding letter of intent (the "LOI") pursuant to which the HIRE and RSI have agreed to amalgamate or otherwise combine (the "Combination").

On June 22, 2020, HIRE and the Company mutually agreed to terminate their agreement related to the Combination. Neither party must pay the other a termination fee because of the mutual decision to terminate the agreement.

COVID-19

During March 2020, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

One of the key risks identified by the Company is the collections of lease receivable from the sublease related to the office space (note 6, 9). The Company is maintaining open communication with the office owner and our sublessor to mitigate this risk.

(Unaudited, in Canadian dollars)

NSIGHT TRANSACTION

As per the Definitive Agreement announced by the Company on January 9, 2019, the Company completed a transaction with NSight Inc. (“NSight”) and sold its RoomKeyPMS business on an arm’s length basis, for gross proceeds of US$4.6 million (the “Transaction”). This amount was adjusted to a Canadian dollar amount of approximately $6.0 million by averaging the posted Bank of Canada rate for the average of the seven business days prior to September 7, 2018 and the average of the seven business days prior to February 5, 2019, to arrive at an exchange rate of 1.3127 US to Canadian dollars. As NSight did not assume any of RSI’s liabilities except where necessary to run the business going forward, the assumption of any such liabilities was deducted from the gross proceeds. The gross proceeds were adjusted to account for the timing of certain receivables, payables, deferred revenue, prepaid costs and other items that are assumed by NSight. Totaling these adjustments and subtracting them from the gross purchase price, left a net proceeds figure of approximately $5.6 million. In addition, by undertaking the Transaction, the Company incurred additional transaction costs, including $254,162 paid for change of control payments to departing senior managers and $80,000 in related legal expense.

	$
Proceeds received	5,616,573
Less Transaction cost :	
Salaries and benefits	(254,162)
Legal expense	(80,000)
Proceeds after transaction costs	**5,282,411**
Less assets and liabilities disposed :	
Accounts receivables	151,162
Prepaid expenses	84,311
Equipment	7,328
Deferred development cost	1,191,520
Deferred revenue	(535,741)
Payables and accruals	(202,317)
Gain on disposal of assets	4,586,148

2. SIGNIFICANT ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34 Interim Financial Reporting have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with IFRS have been omitted or condensed, and therefore these condensed consolidated interim financial statements should be read in conjunction with the December 31, 2019 audited annual consolidated financial statements and the notes.

These unaudited condensed consolidated interim financial statements are based on the IFRS effective as of July 29, 2020, the date these unaudited condensed consolidated interim financial statements were authorized for issuance by the Company's Board of Directors, and follow the same accounting policies and methods of computation as the most recent annual consolidated financial statements.

Condensed consolidated interim statement of cash flow for period ended September 30, 2019

Certain other prior period balances have been reclassified to conform with current period presentation.

3. KEY ASSUMPTIONS AND SIGNIFICANT JUDGEMENTS

Significant Accounting Judgments and Estimates

The preparation of the condensed consolidated interim 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.

In preparing these condensed consolidated interim financial statements, significant judgments made by management in applying the Company's accounting policies and the key sources of estimation were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2019.

(Unaudited, in Canadian dollars)

4. SHORT-TERM INVESTMENT

As at September 30, 2020, the Company had three short-term investments at amortized cost totaling $5,109,617 of principal (December 31, 2019 – $5,001,000).

The short-term investments will be due on March 16, 2021 and has an annual yield of 1.4% - 1.6%.

5. RECEIVABLE

The balance of receivables is comprised of followings:

	September 30, 2020	December 31, 2019
GST receivable	16,710	14,387
Interest receivable (note 4)	38,323	84,800
	55,033	**99,187**

6. LEASES

	September 30, 2020 $ Carrying Value	December 31, 2019 $ Carrying Value
Lease receivables (a)		
Total	247,193	379,832
Current	(161,502)	(187,914)
Long term	**85,691**	**191,918**
Lease liability (b)		
Total	230,746	352,273
Current	(152,234)	(170,820)
Long term	**78,512**	**181,453**

(Unaudited, in Canadian dollars)

	September 30, 2020 $ Undiscounted value	December 31, 2019 $ Undiscounted value
Lease receivables (a)		
Total	258,328	369,040
Current	(221,424)	(221,424)
Long term	**36,904**	**147,616**
Lease liability (b)		
Total	236,688	338,126
Current	(202,875)	(202,875)
Long term	**33,813**	**135,251**

a) Accretion gain on the lease receivables for the nine months ended September 30, 2020 is $24,191 (2019 - $37,641); in addition, the Company received $59,494 from subleasing office space. A security deposit of $28,997 was applied to one of the month's sublease payment for period ended September 30, 2020. Between April 1, 2020 to September 30, 2020, the sublessee paid the Company's landlord directly; as a result, the Company did not receive any cash from the sublessee.

b) Accretion expense on the lease liabilities for the nine months ended September 30, 2020 is $22,164 (2019 - $34,702); in addition, the Company paid $84,601 for leasing the office space. Between April 1, 2020 to September 30, 2020, the sublessee paid the Company's landlord directly; as a result, the Company did not pay any cash directly to landlord.

7. SHARE CAPITAL

Authorized: Unlimited common shares without par value

Escrow Shares

As at September 30, 2020, the Company has no escrow shares.

(Unaudited, in Canadian dollars)

Stock Options

A summary of the Company's stock options is as follows:

	Number of Shares		Weighted Average Exercise Price
Options outstanding as at December 31, 2019	1,825,000	$	0.12
Expired	-		-
Granted	-		-
Options outstanding as at September 30, 2020	1,825,000	$	0.12

As at September 30, 2020, the Company has the following stock options outstanding:

Date Issued	Number of Options Outstanding	Number of Options Exercisable		Exercise Price	Expiry Date
January 23, 2017	425,000	425,000	$	0.20	January 23, 2022
May 1, 2019	1,400,000	700,000	$	0.10	May 1, 2024
	1,825,000	1,125,000			

Warrants

As at September 30, 2020, the Company has no warrants (December 31, 2019 – no warrants) outstanding.

8. RELATED PARTY TRANSACTIONS

The Company's related parties include its subsidiaries, associates over which it exercises significant influence, and key management personnel. Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include officers, directors or companies with common directors of the Company

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

1. Salaries and employee benefits of $nil (2019 – $187,856) were paid to key management personnel. $nil (2019 - $254,162) were paid to former management, which is the change of

(Unaudited, in Canadian dollars)

control payment as part of the NSight transaction (see note 1).

2. The Company paid remuneration for management services to two companies controlled by the CEO and CFO respectively totaling $54,000 (2019 - $54,000).

As at September 30, 2020 the Company had amounts payable of $3,150 (December 31, 2019 - $501) to these parties which has been included in accounts payable.

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.

9. FINANCIAL INSTRUMENTS

Fair Value

Set out below is a comparison by class of the carrying amounts of the Company's financial instruments that are carried in the Consolidated Statements of Financial Position:

	September 30, 2020 $	December 31, 2019 $
Financial Assets		
Amortized cost:		
Cash	47,363	269,928
Short-term investment	5,009,617	5,001,000
Interest receivable	38,323	84,800
Lease receivable	247,193	379,832
Financial Liabilities		
Amortized cost:		
Accounts payable and accrued liabilities	32,479	209,145
Lease liability	230,746	352,273

The carrying value of cash, interest receivable and accounts payable and accrued liabilities approximates the fair value because of the short-term of these 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. As at September 30, 2020, the Company's maximum exposure to credit risk is in the carrying value of its cash and short-term investment. The Company limits its exposure to credit loss by placing its cash and short-term investments with high credit quality financial institutions.

Currency Risk

The functional currency of RSI is the Canadian dollar. As at September 30, 2020, most of the foreign currency risk is related to US dollar funds held in bank US$22,935 (December 31, 2019 - US$124,463), denominated in US dollar. Therefore, the Consolidated Statements of Operations and Comprehensive Income (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 +/- $3,059 (2019 - +/- $11,898) impact on the Consolidated Statements of Operations and Comprehensive Income (Loss).

Interest Rate Risk

The Company is only subject to interest rate risk on its short-term investment balance in the bank and there is unlikely to be a material impact on Consolidated Statements of Operations and Comprehensive 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 September 30, 2020, the Company had total payable in the amount of $ 184,713 due within 12 months (December 31, 2019 - $379,965). As at September 30, 2020, the Company held cash and short-term investment of $ 5,056,980 (December 31, 2019 - $5,270,928).

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. With the current cash balance and working capital position, management expects it is sufficient to meet the Company's liquidity requirements.

(Unaudited, in Canadian dollars)

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 was not subject to any other externally imposed capital requirements as at September 30, 2020. The Company's overall strategy with respect to management of capital at September 30, 2020 remains fundamentally unchanged from the year ended December 31, 2019.

10. SEGMENTED DISCLOSURE

A geographical breakdown of sales to customers is as follows:

	Period Ended September 30, 2020	%	Period Ended September 30, 2019	%
Canada	$ -	N/A	$ 50,539	11%
USA	-	N/A	348,514	79%
Other	-	N/A	44,040	10%
Total	$ -	N/A	$ 443,093	100%

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