RSI INTERNATIONAL SYSTEMS INC.

CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2021 and 2020

(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.

March 11, 2022

(signed)	(signed)
"Adam Ho"	"Sam Wong"
President and Chief Executive Officer	Chief Financial Officer

Independent Auditor's Report

To the Shareholders of RSI International Systems Inc.:

Opinion

We have audited the consolidated financial statements of RSI International Systems Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2021 and December 31, 2020, and the consolidated statements of operations and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2021 and December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Jian-Kun Xu.

Vancouver, British Columbia

MNP LLP

March 11, 2022

Chartered Professional Accountants

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

	Notes		**December 31, 2021**		December 31, 2020
ASSETS					
Current					
Cash		**$**	**26,985**	$	29,609
Short-term Investment – GIC			**4,982,954**		5,009,617
Interest Receivables - GIC			**5,828**		56,131
Lease Receivables	5		**-**		174,606
Prepaid Expenses			**14,452**		39,491
		$	**5,030,219**	$	5,309,454
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current					
Accounts Payable & Accrued Liabilities		**$**	**59,759**	$	57,168
Lease Liability	5		**-**		174,606
			59,759		231,774
Shareholders' Equity					
Share Capital	6		**5,633,039**		5,633,039
Contributed Surplus			**696,609**		696,609
Deficit			**(1,359,188)**		(1,251,968)
			4,970,460		5,077,680
		$	**5,030,219**	$	5,309,454

Note 1 – Nature of operations

Note 10 – Subsequent event

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

RSI INTERNATIONAL SYSTEMS INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(in Canadian dollars)

		Year Ended	
	Notes	**December 31, 2021**	December 31, 2020
EXPENSES			
Bad Debt and Write Off of Receivables		**$ -**	$ 18,016
Business Development and Travel		**4,377**	6,070
Filing and Transfer Agent Fees		**8,756**	14,633
Foreign Exchange Gain		**(638)**	(6,927)
Interests and Bank Charges		**2,433**	4,848
Interest Income		**(33,035)**	(79,947)
Investor Relations		**6,651**	2,194
Lease Accretion (gain), net	**5**	**-**	(741)
Lease Modification Loss	**5**	**-**	23,307
Office and Miscellaneous		**12,207**	23,521
Professional Fees		**106,469**	125,908
Rent and Utilities		**-**	1,102
Stock-based Compensation	**6**	**-**	27,717
		107,220	159,701
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR		**$ (107,220)**	$ (159,701)
Loss per share - Basic and Diluted		**$ (0.00)**	$ (0.00)
Weighted average number of shares outstanding – basic & diluted		**36,835,278**	36,835,278

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, 2020	**36,835,278**	**5,633,039**	**696,609**	**(1,251,968)**	**5,077,680**
Net and comprehensive loss for the year	-	-	-	(107,220)	(107,220)
BALANCE, DECEMBER 31, 2021	**36,835,278**	**5,633,039**	**696,609**	**(1,359,188)**	**4,970,460**
BALANCE, DECEMBER 31, 2019	**36,835,278**	**5,633,039**	**668,892**	**(1,092,267)**	**5,209,664**
Stock-based compensation	-	-	27,717	-	27,717
Net and comprehensive loss for the year	-	-	-	(159,701)	(159,701)
BALANCE, DECEMBER 31, 2020	**36,835,278**	**5,633,039**	**696,609**	**(1,251,968)**	**5,077,680**

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

RSI INTERNATIONAL SYSTEMS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in Canadian dollars)

	Notes	Year Ended December 31, 2021	Year Ended December 31, 2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss for the year		$ **(107,220)**	$ (159,701)
Items not affecting cash:			
Lease accretion gain, net		-	(383)
Lease modification loss		-	23,307
Bad Debt and write off of receivables		-	18,016
Stock-based compensation		-	27,717
		(107,220)	(91,044)
Changes in Non-Cash Working Capital Items:			
Receivables		-	25,042
Prepaid expenses		**25,039**	10,641
Accounts payable and accrued liabilities		**2,591**	(151,977)
		(79,590)	(207,338)
Interest on lease liability payment		-	(28,975)
Interest on lease receivable receipt		-	29,717
Variable lease expense payment		-	(51,025)
Variable lease expense receipts		-	22,590
Net Cash Used in Operating Activities		**(79,590)**	(235,031)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of short term investment		**(33,034)**	(108,617)
Lease receivable receipts		-	36,904
Proceeds from redemption of short term investment		**110,000**	100,000
Net Cash Flow by Investing Activities		**76,966**	28,287
CASH FLOWS FROM FINANCING ACTIVITIES			
Lease payments		-	(33,575)
Net Cash Used In Financing Activities		-	(33,575)
Change in Cash During the Year		**(2,624)**	(240,319)
Cash, Beginning of Year		**29,609**	269,928
Cash, End of Year		$ **26,985**	$ 29,609

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

1. NATURE OF OPERATIONS

RSI International Systems Inc. (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 consolidated financial statements of the Company as at and for the year ended December 31, 2021 include the Company and its subsidiary. The Company 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 March 11, 2022.

Proposed RTO with ARCpoint Group Inc.

On December 2, 2021, the Company and ARCpoint Group Inc. ("ARCpoint"), the parent company of ARCpoint Franchise Group LLC, ARCpoint Corporate Labs LLC and AFG Services LLC, announced that they have entered into a letter of intent (the "Letter of Intent") dated December 2, 2021 pursuant to which the Company and ARCpoint intend to complete a transaction that will result in the reverse takeover of the Company by the shareholders of ARCpoint (the "Proposed RTO") pursuant to the policies of the TSX Venture Exchange (the "Exchange").

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.

For year ended December 31, 2021, COVID19 has hindered business travel and corporate development opportunities for the Company. Impact in 2022 remains unknown.

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").

Functional and Presentation Currency

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

Basis of Measurement

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 years presented in the consolidated financial statements except the new accounting standard adopted during the year.

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.

Cash

Cash consist of cash on hand and deposits in banks.

Short-term Investment

Short-term investments are fixed term deposits held at the financial institution with a maturity of more than three months but no more than one year.

Foreign Currency Transactions

The Company's and its subsidiary's functional currency and reporting currency is the Canadian dollars. 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.

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 Consolidated Statements of Operations and Comprehensive Loss expense for a period represents the movement in cumulative expense recognized as at the beginning and end of that period. Exercised options are reclassified to share capital from contributed surplus.

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.

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.

Financial Instruments

Financial Instruments - classification and measurement

Financial Asset

The classification and measurement of financial assets is based on the Company's business models for managing its financial assets and whether the contractual cash flows represent solely payments of principal and interest ("SPPI"). Financial assets are initially measured at fair value and are subsequently measured at either (i) amortized cost; (ii) fair value through other comprehensive income, or (iii) fair value through profit or loss.

• Amortized cost

Financial assets classified and measured at amortized cost are those assets that are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and the contractual terms of the financial asset give rise to cash flows that are SPPI. Financial assets classified at amortized cost are measured using the effective interest method. The Company's cash, short term investment, interest receivables and lease receivables are classified in this category.

• Fair value through other comprehensive income ("FVTOCI")

Financial assets classified and measured at FVTOCI are those assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual terms of the financial asset give rise to cash flows that are SPPI.

• Fair value through profit or loss ("FVTPL")

Financial assets classified and measured at FVTPL are those assets that do not meet the criteria to be classified at amortized cost or at FVTOCI.

Financial Liabilities

All financial liabilities are initially recognised at fair value plus or minus transactions costs that are directly attributable to issuing the financial liability. Financial liabilities are measured at amortised cost, unless they are required to be measured at FVTPL. The Company's accounts payable and accrued liabilities and lease liability are measured at amortised cost.

Financial Instruments - Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition.

If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to twelve month expected credit losses. The Company shall recognize in the Consolidated Statements of Operation and Comprehensive Loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Corporation assesses whether the contract involves the use of an identified asset, whether the right to obtain substantially all of the economic benefits from use of the asset during the term of the arrangement exists, and if the Company has the right to direct the use of the asset. At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

As a lessee, the Company recognizes a right-of-use asset and a lease liability at the commencement date of a lease. The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate. Lease payments included in the measurement of the lease liability are comprised of:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- exercise prices of purchase options if the Company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if there is a change in the estimate or assessment of the expected amount payable under a residual value guarantee, purchase, extension or termination option. Variable lease payments not included in the initial measurement of the lease liability are charged directly to profit or loss.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are charged directly to profit or loss on a straight-line basis over the lease term.

Subleases

When the Company enters into sublease arrangements as an intermediate lessor, it determines whether the sublease is a finance sublease or operating sublease by reference to the right-of-use assets arising from the head lease. A sublease is a finance sublease if substantially all the risk and reward of the related head lease right-of-use asset have been transferred to the sub-lessee. When the Company is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts.

For finance sublease, the Company derecognizes the corresponding right-of-use assets and records net investments in the finance sublease and corresponding interest income is recognized in net finance costs. The net investment in the sublease is recognized in lease receivables.

New and amended accounting standards and interpretations issued in the current fiscal year December 31, 2021

A number of new standards, and amendments to standards and interpretations, were announced and effective for the year ended December 31, 2021. These new standards, and amendments to standards and interpretations were either not applicable or are not expected to have material impact on the company’s consolidated financial statements.

New and amended accounting standards and interpretations issued but not yet effective

A number of new standards, and amendments to standards and interpretations, were not yet effective for the year ended December 31, 2021 and have not been early adopted in preparing these consolidated financial statements. These new standards, and amendments to standards and interpretations were either not applicable or are not expected to have material impact on the company's consolidated financial statements.

4. KEY ASSUMPTIONS AND SIGNIFICANT JUDGEMENTS

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:

Estimates

- **Share-based payments**
  Share-based payments are valued using the Black-Scholes option pricing model at the date of grant and expensed in the Consolidated Statements of Operations and Comprehensive 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.

- **Leases**
  The application of IFRS 16 requires the Company to make judgments that affect the valuation of the right-of-use assets and the valuation of lease liabilities. These include: determining agreements in scope of IFRS 16, determining the contract term and determining the interest rate used for discounting of future cash flows.

  The lease term determined by the Company is comprised of the non-cancellable period of lease agreements, periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise that option.

  The present value of the lease payment is determined using a discount rate representing the rate of its loan payable observed in the period when the lease agreement commences or is modified.

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**
  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.

  During the year ended December 31, 2021, net loss was $107,220 (2020 – $159,701). The Company also has a working capital of $4,970,460 (December 31, 2020 – $5,077,680) and an accumulated deficit as of December 31, 2021 of $1,359,188 (December 31, 2020 – $1,251,968).

(in Canadian dollars)

5. LEASES

	December 31, 2021 $ Carrying Value	December 31, 2020 $ Carrying Value
Lease receivables (a)		
Total	-	174,606
Current	-	(174,606)
Long term	-	-
Lease liability (b)		
Total	-	174,606
Current	-	(174,606)
Long term	-	-

	December 31, 2021 $ Undiscounted value	December 31, 2020 $ Undiscounted value
Lease receivables (a)		
Total	-	184,663
Current	-	(184,663)
Long term	-	-
Lease liability (b)		
Total	-	184,663
Current	-	(184,663)
Long term	-	-

a) Accretion gain on the lease receivables for the year ended December 31, 2021 is $10,057 (2020 - $29,717); in addition, effective April 1, 2020, the sublessee paid the Company's landlord directly. As a result, the Company received $nil (2020 - $59,494) from subleasing office space. A security deposit of $nil (2020 - $28,997) was applied to one of the month's sublease payment for year ended December 31, 2021.

(in Canadian dollars)

b) Accretion expense on the lease liabilities for the year ended December 31, 2021 is $10,057 (2020 - $28,975); in addition, the Company paid $nil (2020 - $50,363) for leasing the office space, as it was paid directly from sublessee to the Company's landlord (see note 5(a)). Lastly, a prepaid security deposit of $24,844 has been applied to the last month of lease payment.

c) For the year ended December 31, 2021, the Company recognized a loss of $nil (2020- $23,307) in lease modification for the lease liability and receivables.

6. SHARE CAPITAL

Authorized: Unlimited common shares without par value

Escrow Shares

As at December 31, 2021, the Company has no escrow shares.

Stock Options

As at December 31, 2021, 2020 and 2019, the Company has 1,825,000 exercisable options outstanding with weighted average exercise price of $0.12.

As at December 31, 2021, 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	1,400,000	$	0.10	May 1, 2024
	1,825,000	1,825,000	$	0.12	

Warrants

As at December 31, 2021, 2020 and 2019, the Company has no warrants outstanding.

7. 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

(in Canadian dollars)

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

1. The Company paid remuneration for management services to a company controlled by the CEO totaling $37,800 (2020 - $36,000).

2. The Company paid remuneration for management services to a company controlled by the CFO totaling $37,800 (2020 - $36,000).

As at December 31, 2021 the Company had amounts payable of $nil (December 31, 2020 - $4,825) 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.

8. 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:

	December 31, 2021 $	December 31, 2020 $
Financial Assets		
Amortized cost:		
Cash	26,985	29,609
Short-term investment	4,982,954	5,009,617
Interest receivable	5,828	56,131
Lease receivable	-	174,606
Financial Liabilities		
Amortized cost:		
Accounts payable and accrued liabilities	59,759	57,168
Lease liability	-	174,606

The carrying value of cash, short-term investment, interest receivable, lease receivables, accounts payable and accrued liabilities and lease liability 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 December 31, 2021, the Company's maximum exposure to credit risk is in the carrying value of its cash, short-term investment and interest receivable. 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 December 31, 2021, most of the foreign currency risk is related to US dollar funds held in bank US $88 (December 31, 2020 - US$15,155), 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 concluded the impact that a change in foreign exchange rates would have on the net loss of the Company is immaterial.

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 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, 2021, the Company had total payable in the amount of $59,759 due within 12 months (December 31, 2020 - $231,774). As at December 31, 2021, the Company held cash and short-term investment of $5,009,939 (December 31, 2020 - $5,039,226).

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.

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 December 31, 2021. The Company's overall strategy with respect to management of capital at December 31, 2021 remains fundamentally unchanged from the year ended December 31, 2020.

9. 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 and Comprehensive Loss for the years ended December 31, 2021 and 2020:

(in Canadian dollars)

	2021	2020
	$	$
Net income (loss) before tax	(107,220)	(159,701)
Statutory tax rate	27.00%	27.00%
Expected income tax (recovery)	(28,950)	(43,120)
Non-deductible items and other	-	6,571
Non-taxable portion of capital gain	-	-
Change in deferred tax asset not recognized	28,950	36,549
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, 2021 and 2020 are comprised of the following:

	2021	2020
	$	$
Non-capital loss carry forwards	-	47,144
Lease receivable	-	(47,144)
	-	-

The unrecognized deductible temporary differences at December 31, 2021 and 2020 are comprised of the following:

	2021	2020
	$	$
Non capital loss carry forwards	831,085	549,259
Lease liability	-	174,606
Financing costs	-	-
Total unrecognized deductible temporary differences	831,085	723,865

As at December 31, 2021, the Company has not recognized a deferred tax asset in respect of non capital loss carryforwards of approximately $831,085 (2020 - $549,259) which may be carried forward to apply against future income for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring as follows:

(in Canadian dollars)

Expiry	$
2037	613,395
2040	110,470
2041	107,220
TOTAL	831,085

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.

10. SUBSEQUENT EVENT

On January 23, 2022, 425,000 stock options expired.