RSI GROUP

RSI INTERNATIONAL SYSTEMS INC.

MANAGEMENT DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") for RSI International Systems Inc. together with its wholly owned subsidiaries ("RSI" or "the Company") is prepared as of April 20, 2015 and relates to the financial condition and results of operations for the years ended December 31, 2014 and 2013. Past performance may not be indicative of future performance. This MD&A should be read in conjunction with the audited consolidated financial statements ("consolidated financial statements") and related notes for the years ended December 31, 2014 and 2013 which have been prepared using accounting consistent with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS" or "GAAP"). The first, second, third and fourth quarters of the Company's fiscal years are referred to as "Q1", "Q2", "Q3" and "Q4", respectively. The years ended December 31, 2014 and 2013 are also referred to as "fiscal 2014" and "fiscal 2013", respectively. All amounts are presented in Canadian dollars, the Company's reporting and presentation currency, unless otherwise stated. Statements are subject to the risks and uncertainties identified in the "Risks and Uncertainties" and "Cautionary Note Regarding Forward-Looking Statements" sections of this document. The Company has included the non-GAAP performance measures of earnings such as "Earnings Before Interest, Taxes, Depreciation and Amortization" ("EBITDA") and Cumulative Average Growth Rate ("CAGR"). For further information and detailed calculations of these measures, see the "Non-GAAP and additional GAAP Measures" section of this document.

Fiscal 2014 Highlights

- The Company recorded customer revenue of $3,327,328 for the year ended December 31, 2014 compared to $2,944,964 for year ended December 31, 2013; an increase of 13%.

- For 2014, total revenue (including other income) increased by 15% and expenses increased by 54% while cost of sales increased by 6% when compared to 2013.

- The Company's net loss for year ended December 31, 2014 was $1,052,988, compared to a net loss for 2013 of $65,047; an increase of $987,941 (1,519%).

- The net loss for the year includes non-cash expenses of $124,500 in stock-based compensation (2013 - $nil), amortization of deferred development costs of $395,130 (2013 - $162,211), amortization of intangible assets $20,900 (2013 - $8,800). Excluding these non-cash expenses,

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the net loss for 2014 would have been $512,459 compared to 2013 net income of $105,964 excluding non-cash expenses.

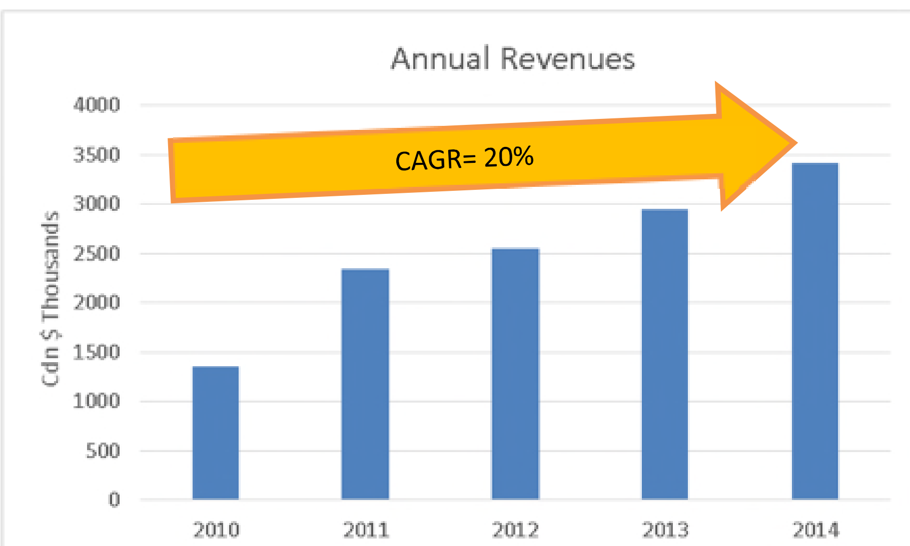
- In 2014, the Company increased its spending on business development expenses (i.e. sales and marketing) by $115,761 (48%) compared to 2013.

- During 2014, the Company also hired more staff due to the increased pace of new business, resulting in an increase of $812,842 (47%) in salaries and benefits, compared to the same period in 2013.

- EBITDA for 2014 was $(585,888), compared to EBITDA of $146,490 for 2013, which is a deterioration of $732,378 or 500%.

OPERATIONAL RESULTS

The Company's revenue is primarily generated by subscription fees for its PMS software product. Complementary revenues are created from partner product subscriptions, transaction fees on reservations, GDS fees, training and support, and assorted other transactional-type fees. In 2009 the Company transitioned to a subscription-based pricing model for the majority of its customer base. Sales of the PMS system and complementary partner products have grown significantly resulting in Cumulative Average Growth rate ("CAGR") of 20% since 2010:



RoomKey added 179 new PMS properties in 2014 compared to 125 new properties in 2013, an increase of 43%. This reflects the general increase in US and overseas hotel markets, as well as the results of RoomKey's focus on increased marketing and sales activities in 2012 to 2014.

With growth of both PMS and partner products, the Company hired a project manager and 6 more staff for its client service and implementation teams in order to maintain the Company's level of service to its clients with the increased sales orders. The Company also added a marketing manager to focus efforts on the highest value lead generation strategies and maintain the strong marketing momentum from 2013. These increases were offset by the reduction of three web design staff who were focused on external work as the web design business shifted to focus on internal RoomKey support. Salaries and benefits expense of the Company increased by 47% compared to 2013.

Recent Developments

On February 25, 2015 the Company announced the addition of Pacifica Hotels group to its PMS customers. The Pacifica Hotels properties span the Pacific Coast from San Diego to Half Moon Bay, as well as Florida and Hawaii.

OVERVIEW OF THE BUSINESS

RSI International Systems Inc. is a provider of leading Property Management System ("PMS") software and related marketing as well as online support products and services to the global hospitality industry, focusing on multi-property, independent and chain hotels. The Company's core software solution, RoomKey PMS, was the first fully web-based property management system released in North America to include a seamless, integrated and real time online reservation booking engine – RoomKey eRes ("eRes"). The Company's product interfaces to over 500 applications and products which enable its customers to interact effectively with the online Global Distribution System ("GDS"), the backbone of the online hospitality ecosystem.

Utilizing RoomKey PMS as a platform, core RoomKey PMS functionality along with key partner products provides an end to end cloud-based PMS that drives increases in occupancy and average daily rate ("ADR") for the Company's clients. RoomKey has seamless integration with complementary products to provide a fully integrated Guest Management System solution. In the past year, the Company has successfully partnered with iRates, Skywire, Hotel Systems Pro, GuestDriven, etc. to expand its products and services in the areas of revenue management, point of sale, spa services and catering.

The Company's wholly-owned subsidiary, Veratta Technologies (2011) Inc. ("Veratta") supplies critical web and online marketing development expertise to enhance RoomKey's software offerings. RSI Group is referred to from time to time throughout this document and refers to the consolidated operations of RSI and its wholly owned subsidiary, Veratta.

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Management's strategic approach is to maximize sales of its PMS system as a platform to enable value added sales of additional RoomKey and partner products. The Company evaluates market trends and customer feedback to seek out exceptional partnering and development opportunities to expand its product offering across the entire operations of its hospitality customer base and provide value-added services.

In planning for the Company's future, management continuously evaluates the Company's cash flow requirements and expects growth to be financed by cash flow generated from existing and new customer subscriptions along with equity financing. Management bases investment decisions on cash flow return from future customer subscriptions. Recent development and marketing expenditures were incurred to expand RoomKey's PMS capabilities and market penetration, and such investments are proving to have a significant benefit on the increase in new customer subscriptions and the size and quality of customers added. Management looks to add shareholder value from continued focus on RoomKey's core platform as a flexible, core part of their customers' business with the ability to add enhanced capabilities from high-value proprietary and partner products which drive occupancy rates, revenue and margin for the properties which use RoomKey's products.

The Company's common shares are listed on the TSX Venture Exchange (RSY). Further details on RSI International Systems Inc. can be found in the Company's associated documents, including its Annual Information Form, at www.sedar.com or on the Company's website at www.roomkeypms.com.

Consolidated Financial and Operating Results

Please refer to "Critical Accounting Policies and Estimates" and also the Notes to the 2014 Audited Consolidated Financial Statements for a discussion of critical and new accounting policies and estimates as they relate to the discussion of the Company's operating and financial results below.

Non-GAAP and Additional GAAP Measures

EBITDA

Management measures the success of the Company's strategies and performance based on EBITDA (or Earnings before Interests, Taxes, Depreciation and Amortization). The Company defines EBITDA to be net income from operations before: (a) depreciation of equipment; (b) amortization of deferred development costs; (c) amortization of intangible assets; (d) income tax expense; and (e) interests and bank charges. Management uses EBITDA as a measure of the Company's operating performance because it provides information related to the Company's ability to provide operating cash flows for acquisitions, capital expenditures and working capital requirements.

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CAGR

Management measures the rate of increase in revenues based on CAGR (Cumulative Annual Growth Rate), which is the year over year growth in revenues over a specific period of time. Management is focused on CAGR from 2010, the first full year after the Company transitioned its core product, RoomKey PMS, to a web based subscription rather than purchased licence revenue model.

The non-GAAP financial measure is used in addition to, and in conjunction with, results presented in accordance with the Company's consolidated financial statements prepared in accordance with IFRS and should not be relied upon to the exclusion of IFRS financial measures.

Investors are strongly encouraged to review the Company's consolidated financial statements in their entirety and to not rely on any single financial measure. Because non-GAAP financial measures are not standardized, it may not be possible to compare these financial measures with other issuers' non-GAAP financial measures having the same or similar names.

OUTLOOK

Management expects revenues to grow in 2015 at a pace in line with its 5-year CAGR of 20% through continued strong growth in PMS sales along with increased transactional, training, services and partner revenues.

Growth across the US hospitality market, where the majority of RoomKey's customer base is located, reflects strong growth in 2012-2013. The American Hotel & Lodging Association prepared the 2014 Lodging Industry Profile (all figures for year-end 2013).

2013 At-a-Glance Statistical Figures

52,887	properties*
4,926,543	guestrooms
$163	billion in sales
$68.64	revenue per available room (RevPAR)
62.2%	average occupancy rate

*Based on properties with 15 or more rooms.

In 2013, the lodging industry generated $41.0 billion in pre-tax income, an increase of 10.2% over 2012. Total industry revenue was $163 billion, an increase of 5.4% from 2012.

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STR Inc., a leading hospitality industry adviser, notes that the strong growth trends continue into the first quarter of 2015. Their February 28, 2015 industry report reflects the following positive momentum:

- In year-over-year measurements, the industry's occupancy rose 1.8 percent to 64.5 percent.
- Average daily rate increased 3.3 percent year-over-year
- Revenue per available room for the week was up 5.1 percent year-over-year

Construction of lodging continues to be strong, with construction activity at a 20 year industry high. Lodging Econometrics presents the known and expected construction in the US market:

2014 Pipeline

3311 projects
421,387 rooms
Average property size 127 rooms

Forecasted new hotels openings-2015

785 Hotels
84,844 Rooms
Average property size 108 rooms

Forecasted new hotels openings-2016

871 Hotels
97,540 Rooms
Average property size 112 rooms

Across the hospitality industry, additional properties and available rooms means hotels need to focus on driving guests to their property and maximizing the value of each stay. RoomKey expects to add 180 new Customer properties in 2015, on pace with the record year of 179 additions in 2014. Customer subscriptions increasingly include value-added products such as reservation management, revenue management and ancillary services such as spa and catering which drive increased revenue from each guest stay. RoomKey's wider offering of products across the entire guest life-cycle help hotels maintain their margins and occupancy rates despite a more competition for their guests.

The Company is focused on continuous improvements in the ability to track its marketing and sales effectiveness from messaging to final conversion. Leads are measured and tracked at all points from initial website or landing page visit, through lead to final sale.

FINANCIAL HIGHLIGHTS

Summarized Consolidated Financial Results Years ended December 31,	2014	2013	% Change
Revenues	3,327,328	2,944,964	13
EBITDA	(585,888)	146,490	(500)
Interests and bank charges	(44,170)	(35,989)	23
Depreciation	(6,900)	(4,537)	52
Amortization & write-downs	(416,030)	(171,011)	143
Net income (loss) for the year	(1,052,988)	(65,047)	1,519
Basic earnings per share	$ (0.05)	$ (0.00)	
Diluted earnings per share	$ (0.05)	$ (0.00)	

FISCAL 2014 RESULTS

The Company's business is organized into one segment.

During 2014 the Company decided to consolidate the management of the Company's operating businesses and to redirect all resources to Guest Management System and PMS related businesses due to the rapid expansion of the RoomKey business. The web division completed its outstanding customer contract commitments during the year and effectively ceased external work in Q3 of 2014.

The Company provides its products and services on a subscription model, as such, the majority of sales contracts are signed on a three-year basis and revenue is recognized over the terms of the contracts. On the other hand, all costs incurred by the Company to fulfill the terms of the contracts are upfront. As such, there is a mismatch of timing between revenue recognition and expenses incurred.

During 2014, the Company incurred more expenses compared to the same period in 2013 due to increased business development & travel costs (i.e. sales and marketing expenses) as well as hiring of more employees. Sales and marketing efforts started in 2013 continued to drive significant sales momentum in 2014 with the addition of a marketing director in early 2014. In order to handle the increased volume of business and to maintain its client service level, the Company hired more employees in customer service and training, with a 100% increase in staff in these groups in 2014. These extra costs resulted in higher operating costs in 2014, compared to 2013. However, the investment paid off as the Company has successfully signed a number of multi-property contracts, eliminated its backlog situation due to increased sales volume, bringing clients up and running on GMS products in shorter time than previous years, and more processes are in place to increase efficiency in service delivery.

The Board of Directors granted 1.35 million options to directors and members of the Company's Advisory Board in Q2 of 2014; thus incurring $124,500 of non-cash stock-based compensation expense.

During 2014, Management of the Company decided to write off $395,130 from Deferred Development Costs due to new technology and a change in direction of development for Insight Web project which rendered a portion of the previous work to be obsolete. Around the same time, Management also decided to cease the Company's web design and internet marketing services to the hospitality industry due to the taxing demand on human resources so that the Company could fully focus on its core PMS products and recurring revenue streams; as a result, Management wrote off the remaining balance in Intangible Assets of $15,033.

Summarized Consolidated Financial Results Years ended December 31,	2014	2013	% Change
Revenues	3,327,328	2,944,964	13
Expenses			
Operating costs	1,055,808	464,211	127
Business Development & Travel	357,162	241,401	48
Salaries and benefits	2,554,039	1,741,197	47
Total Expenses	3,967,009	2,446,809	62
EBITDA	(585,888)	146,490	(500)
Interests and bank charges	(44,170)	(35,989)	23
Depreciation	(6,900)	(4,537)	52
Amortization & write-downs	(416,030)	(171,011)	143
Income (loss) from operations	(1,052,988)	(65,047)	1,519

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Revenues

Revenues are derived from subscription fees, license fees, monthly support services, initial interface, systems configuration and training in accordance with the agreements with the customers, as well as commission revenue when the Company charges its customers for the use of software developed either by the Company or by third-party developers.

Revenue for 2014 increased by 13% compared to 2013. This growth was due to increased and recurring sales of the Company's PMS software, partner products and other products and services the Company offered to its clients.

Operating Costs

Operating costs consist mainly of direct costs associated with the generation of revenue.

Operating costs in 2014 increased by $591,597 or 127% when compared to same period last year. The reasons for this increase were:

- Increase in rent and utilities
  Rent and utilities increased in 2014 because the Company moved its office in 2014 Q2 due to its landlord exercising a relocation clause in the lease agreement to relocate the Company to another office space which Management deemed to be unsuitable for the Company's use. The Company entered into another office lease agreement for its current premises at a higher rate than its previous location. The Company was able to sub-lease its original premises in November 2014.

- Increase in filing and transfer agent fees
  Filing and transfer agent fees increased in 2014 compared to 2013 due to the December 2013 private placement, as well as a Fall 2014 private placement.

- Increase in internet and networking expenses
  Internet and networking expenses increased due to the increase in employees as well as the increase in new businesses.

Business Development & Travel

The Company gained significant sales momentum after Management increased spending in online advertising, leads generation and attending more tradeshows in 2013. Having seen the results of increased sales and marketing spending in 2013, the decision was made to increase more sales and marketing spending in 2014 to continue the sales trend.

Salaries & Benefits

Salaries and benefits consist of salaries and benefit costs, commissions and various other compensation, payroll taxes and employee health and related benefit expenses.

Salaries and benefits increased in 2014 by $812,842 or 47% compared to the same period in 2013 due to hiring of more staff in 2014 to handle the increased sales and to maintain client service level. The Company hired an experienced IT lead to replace the departing Director of IT, an experienced sales executive and a marketing manager to strengthen the sales and marketing team, and a project manager and six more representatives to its client service and implementation teams in order to maintain the Company's level of service to its clients with the increased sales orders. The Company reduced three positions in web development which were focused on external customer work with the re-focus of the web team on RoomKey web support functions during the year.

Interest and Bank Charges

Interest and bank charges for 2014 was $44,170 compared to $35,989 for 2013.

The Company accepts and processes credit card payments for its PMS customers. The increase in interests and bank charges was mainly due to higher services charges related to increased volume of RoomKey customer payments.

Depreciation

Depreciation of equipment was $6,900 in 2014 compared to $4,537 in 2013. Increase in depreciation expense was due to the purchase of equipment for increased staff levels.

Amortization

Amortization of deferred development costs was $395,130 in 2014 compared to $162,211 in 2013. During the year the Company wrote off $168,891 of Insight Web project due to a change in technology and the direction of development which rendered a portion of the previous work to be obsolete. Development costs related to X-Key and PCI compliance will not be utilized in future versions of RoomKey PMS and were written off in the year.

LIQUIDITY AND CAPITAL RESOURCES

The following table shows key liquidity metrics for the periods indicated:

As at December 31,	2014	2013
Cash and cash equivalents	$ 1,269,787	$ 179,410

For the year ended December 31,	2014	2013
Net cash used in operating activities	$ (332,045)	$ 186,296
Net cash from financing activities	$ 1,523,656	$ 210,885
Net cash used in investing activities	$ (101,235)	$ (237,584)

Net Cash Used in Operating Activities

Cash flow from operating activities resulted in a use of cash of $332,045 in 2014 compared to a source of cash of $186,296 in 2013. Net loss in 2014 was $1,052,988 compared to net loss of $65,047 in 2013. The change in non-cash operating assets and liabilities resulted in a cash inflow of $122,264 in 2014, compared to a cash inflow of $24,769 in 2013.

The cash inflow from non-cash operating assets was mainly attributable to an increase in account payable and accrued liabilities of $179,014, and an increase in deferred revenue of $17,659. This cash inflow effect is offset by a cash outflow from an increase of $21,645 in prepaid expense and a decrease of $30,069 in GST payable.

Net Cash from Financing Activities

Financing activities for 2014 resulted in a source of cash of $1,523,656 from equity transactions in the amount of $1,621,023 offset by repayment of a short-term loan and line of credit in the amount of $97,367. In 2013, sources of cash were equity transactions of $166,000 and $44,885 from line of credit borrowings.

Net Cash used in Investing Activities

Investing activities for the Company are impacted by equipment and deferred development costs. In 2014, investing activities resulted in a use of $101,235 compared to a use of $237,584 for the same period in 2013.

SUMMARY OF QUARTERLY RESULTS

Traditionally, sales of the Company have been strongest in the third and fourth quarters of each year during summer and winter holidays; however, since the Company has changed to subscription model, the fluctuation of revenue from quarter to quarter has been flat-lining and gradually inclining upwards. Generally, costs of the Company are incurred evenly throughout the year with

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the exception of foreign exchange, which is subject to the fluctuation of the US dollar against the Canadian dollar.

One quarter's revenue and operating results may not necessarily be indicative of a subsequent quarter's revenue and operating results. For this reason, performance may not be comparable quarter to consecutive quarter and is best considered on the basis of the results for the whole year or by comparison of results in a quarter with results in the same quarter for the previous year. Quarterly results for the three-month periods ended are outlined below:

	2014			
	Q4	Q3	Q2	Q1
Revenues	918,677	875,643	770,494	762,514
EBITDA	(181,032)	(32,362)	(509,024)	82,738
Interests	(13,817)	(10,953)	(10,618)	(8,782)
Depreciation	(2,110)	(1,873)	(1,697)	(1,220)
Amortization & write-downs	(149,761)	(208,243)	(29,161)	(28,865)
Net income (loss) for the quarter	(346,722)	(253,431)	(550,500)	43,872
Basic and diluted earnings per share	$ (0.01)	$ (0.01)	$ (0.03)	$ 0.00

	2013			
	Q4	Q3	Q2	Q1
Revenues				
PMS	$ 648,031	$ 686,711	$ 441,223	$ 474,406
Web	131,714	140,701	167,643	254,535
Total Revenues	779,745	827,412	608,866	728,941
EBITDA				
PMS	106,686	168,813	(74,560)	(16,688)
Web	(68,380)	(49,595)	6,372	73,841
Total EBITDA	38,306	119,218	(68,188)	57,153
Interests	(10,262)	(8,488)	(9,137)	(8,102)
Depreciation	(1,093)	(1,068)	(1,188)	(1,188)
Amortization & write-downs	(43,086)	(43,086)	(42,389)	(42,449)
Net income (loss) for the quarter	(16,135)	$ 66,576	$ (120,902)	$ 5,414
Basic and diluted earnings per share	$ (0.00)	$ 0.00	$ (0.00)	$ 0.00

Q4 2014 RESULTS

The Company had a net loss of $292,929 for the quarter, compared to a loss of $16,135 for Q4 2013 as a result of the following factors:

Revenues

Revenues for Q4 2014 were $918,677 compared to revenues of $779,745 in Q4 of 2013. Q4 2014's revenues include $nil of web services (Q4 2013 - $131,714) due to the cessation of Veratta's external web business. Q4 2014's revenues reflected an overall increase in PMS and partner subscription fees along with the positive impact of the US dollar exchange rate which strengthened significantly at the end of 2014. Increased PMS revenues reflect the high volume of PMS systems sold throughout late 2013 and the first half of 2014.

Cost of Sales

Cost of sales for Q4 2014 were $135,284 compared to $93,243 in Q4 2013, reflecting the increase in fees on partner products, offset by higher credit card processing commissions due to higher customer volumes.

Operating Costs

Operating costs for Q4 2014 were $261,730 compared to $134,014 for Q4 2013. The increase is primarily related to additional amortization of deferred development costs of $120,000, increased legal costs related to private placements completed during 2014 and higher rent of $30,000, offset by foreign currency gains of $95,000.

Business Development and Travel

Business development and travel costs for Q4 2014 were $127,506 compared to $52,859 for Q4 2013. The increase relates to additional trade shows and visits to customer sites.

Salaries and Benefits

Salaries and benefits for Q4 2014 were $844,892 compared to $515,764 in Q4 2013. The increase relates to increased staff and higher commissions for the increased number of PMS systems and other product sales.

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Management of Capital

The Company's objectives in managing capital are to ensure sufficient liquidity to pursue its strategy of growth combined with strategic acquisitions and to provide returns to its shareholders. RSI defines capital that it manages as the aggregate of its shareholders' equity, which is comprised of issued capital, contributed surplus and deficit. The Company manages its capital structure and makes adjustments to it in light of general economic conditions, the risk characteristics of the underlying assets and the Company's working capital requirements. In order to maintain or adjust its capital structure, the Company, upon approval from its Board of Directors, may issue shares, issue debt, pay dividends or undertake other activities as deemed appropriate under the specific circumstances. The Company is not subject to externally imposed capital requirements as at December 31, 2014.

OUTSTANDING SHARE DATA

As at April 20, 2015, there were 30,554,626 common shares, 2,200,000 stock options and 7,050,000 warrants outstanding.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

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

a) Consulting fee of $42,000 (2013 - $42,000) was paid to a director of the Company.
b) Director fee of $12,000 (2013 - $12,000) was paid to a director of the Company.
c) Short-term employee benefits of $619,360 (2013 - $505,621) were paid to key management personnel.
d) Bonus of $nil (2013 - $nil) was paid to the CEO of the Company; and $nil (2013 - $10,000) was paid to the VP Sales of the Company.
e) A non-interest bearing short-term loan of $65,000 (2013 - $65,000) was borrowed from an officer of the Company. The amount was repaid in fully by December 31, 2014.

Included in accounts payable and accrued liabilities at December 31, 2014 is $4,335 (2013 – $2,820) receivable from directors.

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Included in our 2014 annual consolidated financial statements, as well as in our 2014 annual MD&A, we have identified the accounting policies and estimates that are critical to the understanding of our business operations and our results of operations.

Accounting Standards Issued but Not Yet Effective

The Company is analyzing the following accounting standards issued but not yet effective to determine their effect on its condensed and consolidated financial statements. The full description of each of these accounting standards is available in the Company's December 31, 2014 consolidated financial statements on SEDAR.

- IFRS 3 *Business combinations*
- IFRS 9 *Financial instruments*
- IFRS 13 *Fair value measurement*
- IFRS 15 *Revenue from contracts with customers*
- IAS 16 *Property, plant and equipment* and IAS 38 *Intangible assets*
- IAS 24 *Related party disclosures*

SUBSEQUENT EVENTS

There are no subsequent events to discuss.

BOARD AND MANAGEMENT CHANGES

The Company added a fifth director, Mr. Heng Fai Chan, to its Board on June 20, 2014. The Company also added three directors in October 2014 – Shawn Harris, Thomas Castleberry and Jeff Busch. The Company hired a new CFO, Ms. Michelle Madsen, to replace the departing CFO on October 31, 2014.

RISKS AND UNCERTAINTIES

Although Management has a confident outlook for RSI and continually improves and adapts the Company's risk mitigation strategies, operating in the technology industry inherently involves a

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certain level of risk and uncertainty. The Company continues to expand and refine management controls, reporting systems, cost controls, and overall policies and procedures in order to minimize the impact of potential risks and uncertainties.

The Company's inability to access additional capital could have a negative impact on its growth strategy.

The Company currently has limited financial resources and operating income, and adequate funding may not be available to further its product development and marketing activities. The Company may need to raise additional capital to fund its operations, and such capital may not be available on commercially acceptable terms, if at all. If the Company is unable to obtain additional capital on commercially acceptable terms, the Company may be forced to reduce or curtail its operations or its anticipated development and marketing activities. Although the Company has been successful in the past in financing its activities through the sale of equity securities, it may not be able to obtain sufficient financing in the future. Our ability to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions as well as the business performance of the Company.

The Company operates in a highly competitive industry with many large competitors, and it expects that competition may intensify in the future.

The hospitality software industry is intensely competitive, and the Company competes with other companies that have greater financial and human resources and development resources. In addition, the improving US and world-wide economy is encouraging new entrants to start competing companies and established companies to expand their marketing efforts significantly. Such competition may result in the Company being unable to acquire desired customers, recruit or retain qualified employees or acquire the capital necessary to fund its operations and develop its software solutions, which could have an adverse effect on our results.

The Company's results may be negatively affected by currency exchange rate fluctuations.

Fluctuations in currency exchange rates, particularly the weakening or strengthening of the US dollar (being the currency in which the majority of the Company's products are sold) against the Canadian dollar (being the currency in which the majority of the Company's capital and operating costs are incurred), could have a significant impact on the Company's results of operations. The Company does not currently have a formal policy of actively managing such currency fluctuations, and therefore, such fluctuations may have a significant impact on its financial results in any given period.

The Company may pursue strategic transactions in the future, which could be difficult to implement, disrupt its business or change its business profile significantly.

The Company will continue to consider opportunistic strategic transactions, which could involve acquisitions or dispositions of assets. Any future strategic transaction could involve numerous risks, including:

- potential disruption of the Company's ongoing business and distraction of management;
- difficulty integrating acquired businesses or segregating assets to be disposed of;
- exposure to unknown and/or contingent or other liabilities, including litigation arising in connection with the acquisition, disposition and/or against any businesses the Company may acquire; and
- changing the Company's business profile in ways that could have unintended consequences.

If the Company enters into significant strategic transactions in the future, related accounting charges may affect its financial condition and results of operations, particularly in the case of any acquisitions. In addition, the financing of any significant acquisition may result in changes in its capital structure, including the incurrence of additional indebtedness. Conversely, any material disposition could reduce its indebtedness or require the amendment or refinancing of a portion of its outstanding indebtedness. The Company may not be successful in addressing these risks or any other problems encountered in connection with any strategic transactions.

FINANCIAL RISK MANAGEMENT

Overview

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management policies on an annual basis. Management identifies and evaluates the financial risks and is charged with the responsibility of establishing controls and procedures to ensure the financial risks are mitigated in accordance with the approved policies.

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 cash equivalents, accounts receivable and long-term receivables.

The Company's exposure to credit risk associated with its accounts receivable and long-term receivables is the risk that a customer will be unable to pay amounts due to the Company.

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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, 2014, there is $35,263 (2013 - $24,927) 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.

Currency Risk

Currency risk refers to the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. During 2014, 62% (2013 – 54%) of the Company's sales were dominated in US dollars. As a result, the relative strength of the Canadian dollar against its US counterpart during 2014 had an effect on revenue and net income (loss). The Company does not hedge its foreign currency exposure and accordingly is at risk for foreign currency price fluctuations.

Interest Rate Risk

The Company is subject to interest rate risk on loan payable as these amounts pay interest at variable rates; however, 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.

The financial liabilities on the consolidated statements of financial position consist of accounts payable and accrued liabilities and loan payable.

A factor that affects the liquidity risk is that significant portions of the Company's revenue are derived from a small number of customers. During the year ended December 31, 2014, three customers (2013 – one customer) accounted for approximately 20% (2013 – 10%) of the Company's revenue. For the year ended December 31, 2014, two customers (2013 – three customers) accounted for a total of 37% (2013 – 29%) of the Company's accounts receivable.

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 has assessed liquidity risk and does not consider it to be significant.

Risk Factors Relating to the Company's Common Shares

The Company does not intend to pay dividends for the foreseeable future.

The Company has never declared or paid any cash dividends on the Company's common shares and does not intend to pay any cash dividends in the foreseeable future. The Company anticipates that it will retain all of its future earnings for use in the development of its business and for general corporate purposes. Any determination to pay dividends in the future will be at the discretion of the Company's board of directors. In addition, from time to time the Company may enter into agreements that restrict its ability to pay dividends.

The price of the Company's common shares may be volatile.

The trading price of the Company's common shares has been and may continue to be subject to material fluctuations and may increase or decrease in response to a number of events and factors, including: - changes in the market price of the commodities the Company sells and purchases, particularly gold and silver; - current events affecting the economic situation and exchange rates in Canada, the United States, Mexico and internationally; - changes in financial estimates and recommendations by securities analysts; - acquisitions and financings; - quarterly variations in operating results; - the operating and share price performance of other companies that investors may deem comparable; - the issuance of additional equity securities by the Company or the perception that such issuance may occur; and - purchases or sales of blocks of the Company's common shares. Part of this volatility may also be attributable to the current state of the stock market, in which wide price swings are common. This volatility may adversely affect the prices of the Company's common shares regardless of the Company's operating performance and could cause the market price of the Company's common shares to decline.

The Company may issue additional equity securities which may reduce the Company's earnings per share.

The Company has in the past issued and may continue to issue equity securities to finance its activities, including in order to finance working capital requirements, capital expenditures and acquisitions. If the Company issues additional common shares, your percentage ownership of the Company will decrease and you may experience dilution in the Company's earnings per share.

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Moreover, as the Company's intention to issue any additional equity securities becomes publicly known, the common share price may be materially and adversely affected.

Holders of the Company's common shares may experience dilution when outstanding options and warrants are exercised, or as a result of additional securities offerings.

There are a number of outstanding options and warrants pursuant to which additional common shares of the Company may be issued in the future. Exercise of such options and warrants may result in dilution to the Company shareholders. In addition, if the Company raises additional funds through the sale of equity securities, shareholders may have their investment further diluted.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

Certain statements and information contained in this MD&A and the documents incorporated by reference in this MD&A constitute "forward-looking information" within the meaning of applicable Canadian securities laws. Forward-looking information are statements and information regarding possible events, conditions or results of operations that are based upon assumptions about future economic conditions and courses of action. All statements and information other than statements of historical fact may be forward-looking information. In some cases, forward-looking information can be identified by the use of words such as "seek", "expect", "anticipate", "budget", "plan", "estimate", "continue", "forecast", "intend", "believe", "predict", "potential", "target", "may", "could", "would", "might", "will" and similar words or phrases (including negative variations) suggesting future outcomes or statements regarding an outlook. Forward-looking information in this MD&A and the documents incorporated herein by reference include, but are not limited to statements and information regarding: a continuing, or increased need for software solutions for the hospitality industry in difficult economic times, the attainment of certain subscription targets and company performance, the demand for its products continuing to increase, sufficient stable and healthy global economic and business environment, and other factors contained in the section entitled "Risks and Uncertainties" in the MD&A for the year ended December 31, 2014. Although the Company has attempted to identify important factors that could cause actual results or events to differ materially from those described in the forward-looking statements, you are cautioned that this list is not exhaustive and there may be other factors that the Company has not identified. Furthermore, the Company undertakes no obligation to update or revise any forward-looking information included in, or incorporated by reference in, this MD&A if these beliefs, estimates and opinions or other circumstances should change, except as otherwise required by applicable law.

RSI GROUP

DISCLOSURE CONTROLS AND PROCEDURES

Due to the size of the Company, there was a lack of resources available which resulted in the possibility that not all disclosure controls were effective during the year.

ADDITIONAL INFORMATION

Additional information relating to RSI International Systems Inc., including Annual Information is available on SEDAR at www.sedar.com.

For the Company

"Charles Ku"
CEO and Director

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