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 November 21, 2016 and relates to the financial condition and results of operations for the nine months ended September 30, 2016 and 2015. 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 year ended December 31, 2015 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, 2015 and 2014 are also referred to as "fiscal 2015" and "fiscal 2014", 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 measure of earnings "Earnings Before Interest, Taxes, Depreciation and Amortization" ("EBITDA"). The Company has also included measures of recurring revenue and customer retention such as Monthly Recurring Revenue, and Customer Retention Rate. For further information and detailed calculations of these measures, see the "Non-GAAP and additional GAAP Measures" section of this document.

Q3 2016 Highlights

- The Company recorded customer revenue of $1,309,081 in Q3 2016 compared to $1,282,066 for Q3 2015; an increase of 2%.
- The Company's net loss for Q3 2016 was $148,327, compared to net loss for Q3 2015 of $86,125; an increase of 72% or $62,202.
- EBITDA for Q3 2016 was ($82,103) compared to EBITDA of ($49,097) for Q3 2015, which is a decrease of 67% or $33,006.
- For Q3 2016, expenses increased by 10% and cost of sales decreased by 13% when compared to Q3 2015.
- The Company's Customer Retention Rate, or percent of customers that renew or don't cancel annually, was 97% in the Q3 2016 compared to 89% in Q3 2015.

OPERATIONAL RESULTS

The Company's revenue is primarily generated by subscription fees for its PMS software product. PMS software subscription revenue forms a stable revenue stream from which the Company generates Monthly Recurring Revenue. Complementary revenues are created from partner product subscriptions, transaction fees on reservations, training and support, and assorted other transactional-type fees.

RoomKey sold 31 and 89 new PMS properties in the three and nine months ended on September 30, 2016 compared to 41 and 161 new properties in the same periods in 2015, respectively. This is a decrease of 25% and 45% for the respective periods. This is as a result of the closing of some significant multi property sales in Q1 2015 and the company shifting some resources from sales and marketing to the development area in the beginning of Q4 2015 as it builds out its new PMS product. There had been significant staff turnover in the sales department beginning in the last quarter of 2015, but with the hiring of additional sales staff during Q3 2016, the Company has begun seeing better sales performance.

In addition to business metrics used to measure revenue and corporate growth such as Monthly Recurring Revenue Growth, Software-as-a-Service ("SaaS") companies such as RSI, also calculate Customer Retention Rate to assess both the stability of cash flows generated by the business and strength of RSI's customer relationship. RSI's Monthly Recurring Revenue (not adjusted for foreign exchange translation) has increased 9% in 2016 compared to the end of 2015. RSI's annualized Customer Retention Rates for the nine months ended on September 30, 2016 and 2015 were 93% and 90%, respectively.

Excluding foreign exchange gains (loss), operations expenses for the three and nine month periods ending September 30, 2016, compared to the same periods in 2015, increased by approximately $68,545 and $286,723, respectively. This is mostly due to increasing the Company's presence in specific trade shows, the hosting of a co-design summit with its largest customers, and increased professional fees for outsourcing certain accounting and IT functions. The Company also hired a Vice-President, Gaming division to begin exploring business possibilities in the casino business. In addition, The Company appointed a new Director of Corporate Development to better engage current and potential shareholders, as well as help align the Company's activities to better serve all its constituents. During the third quarter of 2016, the Company moved into larger office space and subleased its previous space. This resulted in moving and realtor costs during the period.

Foreign exchange loss for Q3 2016 totalled $58,963 compared to $9,172 in Q3 2015. The loss in Q3 2016 and Q3 2015 was due to the drop in the value of the U.S. dollar when compared to its Canadian counterpart. For the nine month period, there was a loss of $38,528 in 2016 compared to a gain of $356,195 in 2015. The large gain in 2015 was a result of the significant number of new U.S. dollar customers being added in the first quarter of 2015 and the continued strengthening of the U.S. dollar at that time.

OVERVIEW OF THE BUSINESS

RSI International Systems Inc. is a provider of leading Property Management System ("PMS") software, and related online support products and services, to the global hospitality industry, focusing on multi-property, independent and chain hotels. The Company's core software solution, RoomKeyPMS, 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 RoomKeyPMS as a platform, core RoomKeyPMS functionality along with key partner products provides an end to end cloud-based PMS that helps drive increases in occupancy and average daily rate ("ADR") for the Company's clients. RoomKeyPMS has seamless integration with complementary products to provide a fully integrated Guest Management System solution.

The Company's wholly-owned subsidiary, Veratta Technologies (2011) Inc. ("Veratta") supplies critical web and online marketing development expertise to enhance RSI'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.

Management's strategic approach is to maximize sales of its PMS system as a platform to enable value added sales of additional RoomKeyPMS 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 other equity financing. Management bases investment decisions on anticipated cash flow from future customer subscriptions. Recent product development and marketing expenditures were incurred to expand RoomKeyPMS's capabilities and market penetration in order to increase in new customer subscriptions and the size and quality of customers added. Management looks to add shareholder value from continued focus on RoomKeyPMS'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 RSI'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 at www.sedar.com or on the Company's website at www.roomkeypms.com.

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Consolidated Financial and Operating Results

Please refer to "Critical Accounting Policies and Estimates" and also the Notes to the 2015 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.

Monthly Recurring Revenue

Management measures the monthly recognized revenue from all subscriptions at the latest quarter end to assess the growth in recurring revenue.

Customer Retention Rate

Management measures the number of customers, on an annualized basis who renewed, or did not cancel, in the period as a percentage of the number of customers at the end of last year. Management uses this measure to assess both the stability of cash flows generated by the business and strength of RSI's customer relationship.

The non-GAAP financial measures are 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

The Company sold 89 new PMS properties in the nine months ended September 30, 2016 compared to 161 during the same period in 2015. The decrease is as a result of significant staff turnover in the sales department which began during the last quarter of 2015. The Company has completed its re-staffing of the sales department during Q3 2016, and has begun seeing a general

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improvement in property sales. PMS property sales provide a platform for additional partner product sales and services and are tracked by management as an indicator of growth in the customer base. Management expects revenue to continue to grow during the last quarter of 2016 through growth in PMS sales along with increased transactional, training, service, and partner revenues. The decline in revenue growth given the drop in the Company's property sales to date in 2016, has been slightly mitigated by the Company's improved customer retention rate, and contracting higher average revenue per month on its new property sales, compared to the same period last year. The Company's customer retention rate has increased from 90% for the nine month period in 2015, to 93% during the same period in 2016. The Company's average revenue per month on its new property sales has increased by 19% during the nine month period ended September 30, 2016 when compared to the same period in 2015. The Company also plans to focus more of its resources on building new and enhanced product offerings. In addition to providing improved features to the Company's existing clientele, new products and enhancements will be designed to increase revenue per room and appeal to larger properties with more rooms per property than the Company currently averages. A new RoomKeyPMS will utilize a best-of-breed technology stack using Microsoft Azure as the true cloud foundation to provide on-demand availability and real-time scalability, combined with an intuitive web-based interface constructed in HTML5 and AngularJS. These significant changes will allow the Company to exponentially increase the Company's customer base to larger properties with more rooms per property and broaden its appeal globally while realizing economies of scale. The Company is also investigating adding new features, functionality and offerings that would apply to new markets such as casino gaming properties and hotel sales and catering. This could also significantly increase per room revenue captured and appeal to larger properties with more rooms per property than the Company currently averages. The Company will be flexible in the prioritizing all of its development projects, and will base its priorities on a variety of factors including, but not limited to, return on investment, payback, and time to completion.

To alleviate migration and product development risk relating to the build of the new RoomKeyPMS product, the Company is applying a lean framework to build and release new features module by module. This will allow the company to launch differentiating features into the market place and increase average deal value in the short-term. To date the Company has released a new housekeeping module and is currently working on the Guest and Users modules. The Company will continue to deploy new modules and pivot intelligently based on market and customer demands. The Company began the build of the new RoomKey PMS during the fourth quarter of 2015 and as of September 30, 2016, has spent $838,566 on its development. Along with increased sales, the Company plans to fund the build of this new product through outside sources, such as debt or equity financings.

Since 2012, the Company has focused on product development and enhancing its sales and marketing activities. These activities have been funded by a combination of revenue generated from the sale of the Company's products and services, equity financings, line of credits and short-term loans. The Company's expenses have exceeded its revenue during the nine months ended September 30, 2016, and has incurred a net loss of $478,181 (September 30, 2015 – $54,775) and an accumulated deficit as of September 30, 2016 of $4,862,954 (December 31, 2015 – $4,384,773).

Management's current strategy is to focus on increasing the revenue it captures on a per room basis as well as appealing to larger properties with significantly more rooms per property than the Company currently averages, while exercising careful cost control to sustain operations in the near term. This will entail enhancing its product offerings and functionality to enter new and larger markets. Management recognizes the Company's need to expand its cash reserves in the coming year if it intends to adhere to its sales, marketing, and product development plans, and has evaluated its potential sources of funds, including: increased revenue from sale of its products and services and possible debt and equity financing options. Although Management intends to assess and act on these options through the course of the year, there can be no assurance that the steps Management takes will be successful.

On October 25, 2016, the Company announced a non-brokered private placement financing of up to 4,614,385 units to raise gross proceeds of up to $600,000. Each unit will be priced at $0.13 and will comprise one common share and one, non-transferable share purchase warrant. Each whole warrant will entitle the holder to purchase one common share at $0.20 for up to 24 months. The warrants will be subject to an acceleration clause which will allow the company to accelerate their expiry if the company's shares trade at $0.26 or more for 15 consecutive days at any time after four months and one day have elapsed from the closing of this offering. The net proceeds of the offering will be used to fund the Company's growth initiatives and for general working capital purposes. The closing of the Offering is subject to receipt of all necessary regulatory approvals including that of the TSX Venture Exchange.

On November 17, 2016, the Company announced that it had raised gross proceeds of $492,160 in a first tranche of its non-brokered private placement described above. This first tranche consisted of 3,785,845 units at a price of $0.13 per unit, with each unit comprised of one common share and one non-transferable share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of $0.20 until November 17, 2018. These warrants are subject to the acceleration clause described above. In connection with this first tranche, the Company paid finder's fees totaling $11,466 and 102,623 share purchase warrants having the same terms as above, including acceleration.

Significant Financial Highlights for the Three and Nine Months Ended September 30, 2016

- The Company recorded revenue of $3,697,822 for the nine-month period ended September 30, 2016 compared to $3,386,067 for the nine-month period ended September 30, 2015; an increase of 9%.

- The Company recorded revenue of $1,309,081 for the quarter ended September 30, 2016 compared to $1,282,066 for the quarter ended September 30, 2015; an increase of 2%.

- For the nine-month period ended September 30, 2016, revenue increased by $311,755 (9%), cost of sales increased by $53,715 (10%) and expenses increased by $681,446 (23%) when compared to the same period in 2015.

- For the quarter ended September 30, 2016, revenue increased by $27,015 (2%), cost of sales decreased by $29,119 (13%) and expenses increased by $118,336 (10%) when compared to the same quarter in 2015.

- The Company's Monthly Recurring Revenue (not adjusted for foreign exchange translation) for the nine-month period ended September 30, 2016 increased by $25,763 (9%) compared to the end of 2015.

- The percent of customers that renewed or did not cancel described as Customer Retention Rate, was 97% in Q3 2016 compared to 89% in Q3 2015. For the nine month period ended September 30, 2016, the Customer Retention Rate is 93% compared to 90% during the same period in 2015.

- The Company's net loss for the nine-month period ended September 30, 2016 was $478,181, compared to $54,775 net loss for the nine-month period ended September 30, 2015; an increase in net loss of $423,406 (773%). Not including foreign exchange gains and losses, the net loss increased by $28,683 (7%) when comparing the two periods.

- Operating expenses, not including foreign exchange gains (loss), during the nine-month period ended September 30, 2016 totalled $3,565,441 compared to $3,278,718 during the same period in 2015. An increase of $286,723 or 9%.

- Operating expenses, not including foreign exchange loss, during the three-month period ended September 30, 2016 totalled $1,208,175 compared to $1,139,630 during the same period in 2015. An increase of $68,545 or 6%.

- Foreign exchange gains during the nine-month period ended September 30, 2016 were reduced by $394,723 or a reduction of 111%.

- Foreign exchange loss during the quarter ended September 30, 2016 were increased by $49,791 or an increase of 543%.

- For the nine-month period ended September 30, 2016, the Company increased its spending on Business Development and Travel by $90,503 (60%) compared to the same period in 2015.

- For the quarter ended September 30, 2016, the Company increased its spending on Business Development and Travel by $2,601 (6%) compared to the same quarter in 2015.

- For the nine-month period ended September 30, 2016, the Company increased its spending on Professional Fees by $101,313 (81%) compared to the same period in 2015.

- For the quarter ended September 30, 2016, the Company increased its spending on Professional Fees by $11,982 (15%) compared to the same quarter in 2015.

- Salaries and Benefits decreased in the nine-month period ended September 30, 2016 compared to the same period in 2015 by $11,714.

- Salaries and Benefits increased for the quarter ended September 30, 2016 compared to the same quarter in 2015 by $7,257.

- EBITDA for the nine-month period ended September 30, 2016 was ($304,347) compared to EBITDA of $62,248 for the same period in 2015, which is a decrease of 589% or $366,595.

- EBITDA for the quarter ended September 30, 2016 was ($82,103) compared to EBITDA of ($49,097) for the same quarter in 2015, which is an increase of 67% or $33,006.

Please refer to the following section for further explanations.

Nine Months Ended September 30, 2016 Compared to Nine Months Ended September 30, 2015

Summarized Consolidated Financial Results Nine Months ended September 30,		2016		2015	% Change
Revenues	$	3,697,822	$	3,386,067	9
EBITDA		(304,347)		62,248	(589)
Interests and bank charges		(33,880)		(36,341)	(7)
Depreciation		(25,972)		(9,318)	179
Amortization & write-downs		(113,982)		(71,364)	60
Net loss for the period		(478,181)		(54,775)	773
Basic and diluted loss per share	$	(0.01)	$	(0.00)	

Three Months Ended September 30, 2016 Compared to Three Months Ended September 30, 2015

Summarized Consolidated Financial Results Three Months ended September 30,		2016		2015	% Change
Revenues	$	1,309,091	$	1,282,066	2
EBITDA		(82,103)		(49,097)	67
Interests and bank charges		(8,952)		(9,685)	(8)
Depreciation		(12,175)		(3,555)	242
Amortization & write-downs		(45,097)		(23,788)	90

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Net loss for the period		(148,327)		(86,125)	72
Basic and diluted loss per share	$	(0.00)	$	(0.00)	

SEGMENT REVIEW

The Company's business is organized into one segment.

The Company provides its products and services on a subscription model, as such, majority of sales contracts are signed on a three-year basis and revenue is recognized over the term of the contract. All costs incurred by the Company to fulfill the terms of the contracts are upfront resulting in a mismatch of timing between revenue recognition and expenses incurred.

In the first nine months of 2016, excluding foreign exchange gains (loss), the Company incurred higher expenses compared to the same period in 2015. Foreign exchange gains decreased significantly and office, business development and travel, and professional fees increased during the nine months ended September 30, 2016 compared to the same period in 2015.

Year to Date 2016 Results

Summarized Consolidated Financial Results Nine months ended September 30,		2016		2015	% Change
Revenues	$	3,697,822	$	3,386,067	9
Cost of goods sold		572,034		518,319	10
Gross Margin		3,125,788		2,867,748	9
Expenses					
Operating costs		732,752		502,048	46
Foreign exchange (gains) loss		38,528		(356,195)	(111)
Business development & travel		240,521		150,018	60
Marketing		161,884		184,654	(12)
Salaries and benefits		2,430,284		2,441,998	0
Total Expenses		3,603,969		2,922,523	23
EBITDA		(304,347)		62,248	(589)
Interests and bank charges		(33,880)		(36,341)	(7)
Depreciation		(25,972)		(9,318)	179
Amortization & write-downs		(113,982)		(71,364)	60
Loss from operations	$	(478,181)	$	(54,775)	773

<u>Revenues</u>

Revenues are derived from subscription fees, license fees, monthly support services, initial interface, systems configuration and training in accordance with the agreements with the

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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 the nine months ended September 30, 2016 increased by 9% compared to the same period in 2015. This growth was due to sales of the Company's PMS software, partner products and other products and services the Company offered to its clients, particularly for customers added during the last half of 2015. The Company has added 48 net new properties during the period. Net new properties is the difference between new properties added and properties which cancelled. The Customer Retention Rate of the Company is 93% for the nine month period ended September 30, 2016.

Cost of Sales

Cost of sales in the nine months ended September 30, 2016 increased by $53,715 or 10% compared to the same period in 2015. The first nine months of 2016 had higher revenue from partner products which resulted in higher cost of sales. As well there was a one-time reclassification during the first nine months of 2015 which had the effect of a reduction in cost of sales during that period.

Operating Costs

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

Operating costs in the nine months ended September 30, 2016 increased by $230,704 or 46% when compared to the same period in 2015. The primary reasons for this increase were:

- Increase in office and miscellaneous
  Office and miscellaneous costs increased by $68,799 (135%) due to increased costs to support new staff, moving into a larger office space, as well as an increase in executive travel. Executive travel increased as a result of a concerted effort to continue to engage with the Company's major customers. The company had outgrown its old office space and moved into a larger space in August 2016. At the same time, the Company subleased its old office space an incurred realtor commission expense of approximately $32,000.

- Decrease in interest and bank charges
  Interest and bank charges in the nine months ended September 30, 2016 decreased by $2,461 (7%) compared to the same period in 2015.

- Increase in rent and utilities
  Rent and utilities in the nine months ended September 30, 2016 increased $8,035 (7%) compared to same period in 2015, due to higher operating costs in its current office location.

- Increase in professional fees
  Professional fees in the nine months ended September 30, 2016 increased $101,313 (81%) compared to same period in 2015 as a result of higher legal and outside accounting fees, the hiring of consultants to lead the Company's gaming and corporate development activities, as well as higher IT services to support the increased staff since the beginning of 2015.

- Decrease in bad debt
  Bad debt allowances in the nine months ended September 30, 2016 decreased $19,100 (158%) compared to same period in 2015 due to the recovery of bad debt allowance as a result of the increasing of staff focus on collections and the Company making a concerted effort to reach out to late paying customers earlier than in the past.

- Decrease in internet and networking
  Internet and networking costs were reduced by $7,797 (17%) primarily the result of the Company's internal IT needs being outsourced.

- Increase in depreciation
  Depreciation of equipment was $25,972 in the nine months ended September 30, 2016 compared to $9,318 in the same period in 2015. Increase in depreciation expense was due to the purchase of office and computer equipment for new staff during 2016 and 2015.

Foreign Exchange Gains (Loss)

The foreign exchange gains (loss) in the nine months ended September 30, 2016 decreased by $394,723 (111%) compared to the same period in 2015, which reflects the conversion of US dollar denominated revenue and the impact of translation of US denominated monetary items such as cash and accounts receivable. A significant portion of RSI's revenues and accounts receivable are denominated in US dollars and are positively affected by the current exchange rate of the US dollar versus the Canadian dollar. There was a significant influx of new U.S. dollars during the first quarter of 2015 as a result of the increase in new sales. Also there was an increase in the value of the U.S. dollar compared to its Canadian counterpart during the same period. Both of these events resulted in the large foreign exchange gain in the first nine months of 2015 compared to the same period in 2016.

Salaries & Benefits

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

Salaries and benefits decreased by $11,714 (0%) in the nine months ended September 30, 2016 compared to same period in 2015. Although the company currently employs 6 more people as at September 30, 2016, compared to the same period in 2015, a portion of those salaries are being capitalized to deferred development costs as they relate to the development of the new RoomKey PMS product. As well, there has been a decrease in commissions paid as a result of the decrease in new property sales in the first nine months of 2016 compared to the same period in 2015.

Marketing

For the nine months ended September 30, 2016, marketing costs were $22,770 (12%) lower compared to same period in 2015, primarily related to a decrease in lead generation costs for the first nine months of 2016 compared to 2015.

Business Development and Travel

Business development and travel for the nine months ended September 30, 2016 increased by $90,503 (60%) compared to the same period in previous year, primarily due to the Company's increased presence at the HITEC trade show in New Orleans and the BITAC conference in Bermuda. The Company had a larger staff and booth presence at the HITEC trade show in 2016 compared to 2015 in order to introduce its new sales team as well as demo some of the new developments regarding the new RoomKeyPMS product. Also, in May 2016 the Company invited its largest customers to its first co-design summit where these customers collaborated with the Company's staff on the design of the new RoomKeyPMS product. The summit was held in Vancouver, Canada and was attended by the Company's 10 largest customers.

Q3 2016 Results

Summarized Consolidated Financial Results Three months ended September 30,	2016	2015	% Change
Revenues	$ 1,309,081	$ 1,282,066	2
Cost of goods sold	190,270	219,389	(13)
Gross Margin	1,118,811	1,062,677	5
Expenses			
Operating costs	297,691	208,171	43
Foreign exchange loss	58,963	9,172	543
Business development & travel	43,857	41,256	6
Marketing	65,382	96,215	(32)
Salaries and benefits	801,245	793,988	1
Total Expenses	1,267,138	1,148,802	10
EBITDA	(82,103)	(49,097)	67
Interests and bank charges	(8,952)	(9,685)	(8)
Depreciation	(12,175)	(3,555)	242
Amortization & write-downs	(45,097)	(23,788)	90
Loss from operations	$ (148,327)	$ (86,125)	72

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 Q3 2016 increased by 2% compared to Q3 2015. This growth was due to sales of the Company's PMS software, partner products, and other products and services the Company offered to its clients, particularly for customers added during the last half of 2015 and first quarter of 2016.

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Cost of Sales

Cost of sales in Q3 2016 decreased by $29,119 or 13% compared to the same period in 2015. The first nine months of 2015 had higher sales of RoomKeyPMS as well as partner products which resulted in higher cost of sales.

Operating Costs

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

Operating costs for Q3 2016 increased by $89,522 or 43% when compared to Q3 2015. The primary reasons for this increase were:

- Increase in office and miscellaneous
  Office and miscellaneous costs increased by $37,544 (179%) due to increased expenditures to support new staff. The company had also outgrown its old office space and moved into a larger space in August 2016. At the same time, the Company subleased its old office space an incurred realtor commission expense of approximately $32,000.

- Decrease in interest and bank charges
  Interest and bank charges in Q3 2016 decreased by $773 (8%) compared to Q3 2015.

- Increase in rent and utilities
  Rent and utilities in Q3 2016 increased $1,524 (4%) compared to Q3 2015, due to higher operating costs in its current office location.

- Increase in professional fees
  Professional fees in Q3 2016 increased $11,982 (15%) compared to Q3 2015 as a result of higher legal and outsourced accounting fees, as well as outsourced IT services to support the increased staff since the beginning of 2015. As well, the Company engaged new consultants to lead the Company's gaming and corporate development activities.

- Increase in depreciation
  Depreciation of equipment was $12,175 in Q3 2016 compared to $3,555 in Q3 2015. Increase in depreciation expense was due to the purchase of office and computer equipment for new staff during 2016 and 2015.

Foreign Exchange Loss

The foreign exchange loss in Q3 2016 increased by $49,791 (543%) compared to Q3 2015, which reflects the conversion of US dollar denominated revenue and the impact of translation of US denominated monetary items such as cash and accounts receivable. A significant portion of RSI's revenues and accounts receivable are denominated in US dollars and are positively affected by the current exchange rate of the US dollar versus the Canadian dollar. Smaller US dollar cash balances being held during Q3, as well as slightly higher US Accounts Payable balances, resulted in the larger foreign exchange loss compared to the same period in 2015.

Salaries & Benefits

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

Salaries and benefits increased by $7,257 (1%) in Q3 2016 compared to Q3 2015. Although the company currently employs 6 more people at the end of Q3 2016 compared to Q3 2015, a portion of those salaries are being capitalized to deferred development costs as they relate to the development of the new RoomKey PMS product. A portion of the extra salaries and benefits in Q3 2016 was offset by a decrease in commissions paid as a result of the decrease in new property sales in Q3 2016 compared to Q3 2015.

Marketing

For Q3 2016, marketing costs were $30,833 (32%) lower compared to Q3 2015, primarily related to one-time costs of website redesign done in 2015 and attendance at a trade show in Q3 2015 that the Company did not attend in Q3 2016.

Business Development and Travel

Business development and travel for Q3 2016 increased by $2,601 (6%) compared to the same period in previous year. The Company continues to explore different business development opportunities in order generate increased revenue.

LIQUIDITY AND CAPITAL RESOURCES

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

As at September 30,	2016	2015
	$	$
Cash and cash equivalents	188,452	1,275,619

For the nine months ended September 30,	2016	2015
Net cash used in operating activities	(302,945)	(11,285)
Net cash provided by financing activities	10,741	63,290
Net cash used in investing activities	(664,771)	(46,173)

For the three months ended September 30,	2016	2015
Net cash provided by operating activities	85,781	44,172
Net cash provided by financing activities	10,741	52,125
Net cash used in investing activities	(203,508)	(25,571)

Net Cash Provided by (Used in) Operating Activities

Cash flow from operating activities resulted in a use of cash of $302,945 in the first nine months of 2016 compared to $11,285 in the same period in 2015. Net loss in the first three quarters of 2016 was $478,181 compared to $54,775 net loss in the same period in 2015. The change in non-cash operating assets and liabilities resulted in a $42,295 cash inflow in the nine months ended September 30, 2016, compared to $49,279 cash outflow in the same period in 2015.

The cash inflow of $42,295 from non-cash operating assets and liabilities was mainly attributable to, an increase in deferred revenue of $124,881, partially offset by an increase in accounts receivable of $20,594, an increase in prepaid expenses of $50,115, and a decrease in accounts payable and accrued liabilities of $11,876.

For the quarter ended September 30, 2016, operating activities resulted in a cash inflow of $85,781 compared to a cash inflow of $44,172 in Q3 2015. Net loss in the three months ended September 30, 2016 was $148,327 compared to a loss of $86,125 in the three months ended September 30, 2015. The change in non-cash operating assets and liabilities resulted in a cash inflow of $176,837 in the third quarter of 2016, compared to an inflow of $96,023 in the same period in 2015.

The cash inflow of $176,837 from non-operating operating assets was mainly attributable to an increase of $114,406 in accounts payable and accrued liabilities, an increase in deferred revenue of $20,122, a decrease of $43,049 in prepaid expenses, partially offset by an increase of $740 in accounts receivable.

Net Cash used in Investing Activities

Investing activities for the Company are impacted by acquisitions of equipment and deferred development costs. In the first nine months of 2016, investing activities resulted in a use of $664,771 compared to a use of $46,173 for the same period in 2015. Of the amount spent during the nine months ended September 30, 2016, $595,715 was spent relating to the development of a new and enhanced RoomKeyPMS product.

In the three months ended September 30, 2016, investing activities resulted in a use of $203,508 compared to a use of $25,571 in the three months ended September 30, 2015. Of the amount spent during the three months ended September 30, 2016, $189,814 was spent relating to the development of a new RoomKeyPMS product.

As at September 30, 2016, the Company has a working capital deficiency of $387,507. This is compared to positive working capital as at December 31, 2015 of $619,904.

Management recognizes the Company’s need to expand its cash reserves during the rest of 2016 if it intends to adhere to its sales, marketing, and product development plans, and has evaluated its potential sources of funds, including: increased revenue from sale of its products and services and possible debt and equity financing options. Although Management intends to assess and act on these options through the course of the year, there can be no assurance that the steps Management takes will be successful.

On October 25, 2016, the Company announced a non-brokered private placement financing of up to 4,614,385 units to raise gross proceeds of up to $600,000. Each unit will be priced at $0.13 and will comprise one common share and one, non-transferable share purchase warrant. Each whole warrant will entitle the holder to purchase one common share at $0.20 for up to 24 months. The warrants will be subject to an acceleration clause which will allow the company to accelerate their expiry if the company's shares trade at $0.26 or more for 15 consecutive days at any time after four months and one day have elapsed from the closing of this offering. The net proceeds of the offering will be used to fund the Company's growth initiatives and for general working capital purposes. The closing of the Offering is subject to receipt of all necessary regulatory approvals including that of the TSX Venture Exchange.

On November 17, 2016, the Company announced that it had raised gross proceeds of $492,160 in a first tranche of its non-brokered private placement described above. This first tranche consisted of 3,785,845 units at a price of $0.13 per unit, with each unit comprised of one common share and one non-transferable share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of $0.20 until November 17, 2018. These warrants are subject to the acceleration clause described above. In connection with this first tranche, the Company paid finder's fees totaling $11,466 and 102,623 share purchase warrants having the same terms as above, including acceleration.

Summary of Quarterly Results

Traditionally, sales of the Company have been strongest in the first and fourth quarters of each year; 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 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:

	2016		
	Q3	Q2	Q1
Revenues	$ 1,309,081	$ 1,162,626	$ 1,226,115
EBITDA	(82,103)	(242,397)	20,153
Interests and bank charges	(8,952)	(14,299)	(10,629)
Depreciation	(12,175)	(7,841)	(5,956)
Amortization & write-downs	(45,097)	(45,097)	(23,788)
Net loss for the quarter	(148,327)	(309,634)	(20,220)

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Basic and diluted loss per share	$ (0.00)	$ (0.01)	$ (0.00)	

	2015			
	Q4	Q3	Q2	Q1
Revenues	$1,106,355	$ 1,282,066	$ 906,952	$ 1,197,049
EBITDA	(104,774)	(49,097)	(159,291)	270,636
Interests and bank charges	(18,047)	(9,685)	(15,402)	(11,254)
Depreciation	(6,351)	(3,555)	(2,450)	(3,313)
Amortization & write-downs	(23,788)	(23,788)	(23,788)	(23,788)
Net income (loss) for the quarter	(152,960)	(86,125)	(200,931)	232,281
Basic and diluted earnings (loss) per share	$ (0.01)	$ (0.00)	$ (0.01)	$ 0.01

	2014			
	Q4	Q3	Q2	Q1
Revenues	$ 918,677	$ 875,643	$ 770,494	$ 762,514
EBITDA	(127,240)	(32,362)	(509,024)	82,738
Interests and bank charges	(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	(292,928)	(253,431)	(550,500)	43,871
Basic and diluted earnings (loss) per share	$ (0.01)	$ (0.01)	$ (0.03)	$ 0.00

Selected Financial Information

The following table sets out consolidated financial information for the Company for the periods indicated. Each investor should read the following information in conjunction with those financial statements and related notes. The operating results for any past period are not necessarily indicative of results for any future period. The selected financial information for 2016, 2015 and 2014 has been derived from the consolidated financial statements.

Nine months ended September 30,	2016	2015	2014
Revenues	$ 3,697,822	$ 3,386,067	$ 2,408,651
Net loss for the period	(478,181)	(54,775)	(760,060)
Basic and diluted loss per share	(0.01)	(0.00)	(0.04)
Total assets	1,576,759	1,893,194	1,133,469
Total current liabilities	951,381	704,492	684,708
Total non-current liabilities	10,741	16,799	11,268

Quarter ended September 30,	2016	2015	2014
Revenues	$ 1,309,081	$ 1,282,066	$ 875,643
Net loss for the quarter	(148,327)	(86,125)	(253,431)
Basic and diluted loss per share	$ (0.00)	$ (0.00)	$ (0.01)

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 September 30, 2016.

OUTSTANDING SHARE DATA

As at November 21, 2016, there were 35,752,971 common shares, 1,750,000 stock options and 3,888,468 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:

1. Director fee of $9,000 (September 30, 2015 – $9,000) was paid to a director of the Company.

2. Salaries and employee benefits of $566,350 (September 30, 2015 – $572,388) were paid to key

management personnel.

3. The Company paid remuneration for management services to a company controlled by a director in common totaling $22,500 (September 30, 2015 - $nil).

Included in accounts payable and accrued liabilities at September 30, 2016 is $725 (December 31, 2015 – $nil) receivable from directors.

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Significant Accounting Policies

These unaudited condensed consolidated interim financial statements, prepared for the nine months period ended September 30, 2016, have been prepared in accordance with International Accounting Standards ("IAS") 34 Interim Financial Reporting have been prepared in accordance with 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, 2015 audited annual consolidated financial statements and the notes.

These unaudited condensed consolidated interim financial statements are based on the IFRS effective as of November 21, 2016, 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, except for the impact of the changes in accounting policy disclosed below:

Changes in Accounting Policies

Amendments to IAS 1, Presentation of Financial Statements (effective January 1, 2016) are designed to encourage companies to apply professional judgment in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. The Company's unaudited condensed consolidated interim financial statements have been prepared to include only those disclosures which are considered material.

Future Accounting Pronouncements

- IAS 7, Statement of Cash Flows (effective January 1, 2017) introduces new requirements to disclose changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash flows. Management will provide additional disclosures in their interim financial statements beginning January 1, 2017.

- IFRS 9, Financial Instruments (effective January 1, 2018) introduces new requirements for the classification and measurement of financial assets and financial liabilities, impairment of financial assets, and hedge accounting. Management is currently assessing the impact of the new standard.

- IFRS 15, Revenue from Contracts with Customers (effective date January 1, 2018) outlines a single comprehensive model for companies to use in accounting for revenue arising from contracts with customers. Management is currently assessing the impact of the new standard.

- IFRS 16, Leases (effective January 1, 2019) introduces new requirements for the classification and measurement of leases. Management is currently assessing the impact of the new standard.

Prior year comparative amounts have been reclassified to conform to presentation in the current period.

Significant Accounting Judgments and Estimates

The preparation of the condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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, 2015.

BOARD AND MANAGEMENT CHANGES

In January 2016, Jeff Hamilton was appointed Vice-President, Sales and Marketing.

On June 16, 2016, the Company announced the appointment of Mr. Shawn Harris of Las Vegas, Nevada as the company's Executive Vice President of RoomKey Gaming.

On August 24, 2016, two new members were elected to the Company's board of directors. Mr. David Keys and Mr. Adam Ho. Mr. Keys has been a successful operations and financial consultant since April 2004 and has been the interim CEO for SkyWire Media, Inc. since December 2015. In July 2016 Mr. Ho became Director of Corporate Development of RSI. He has held various positions within Zincore Metals Inc. including Vice President, Corporate Development and is currently its CFO.

Mr. Jeffrey Busch, Mr. Shawn Harris, Mr. Ron Baldwin, and Mr. Moe Chan did not stand for re-election to the board of directors at the Company's annual general meeting held on August 24, 2016. The Company wishes to thank all of them for their hard work on behalf of the shareholders over the years, and wishes each of them well in the future.

On November 18, 2016, the Company announced that Mr. Thomas Castleberry had resigned from the Company's Board of Directors as a result of other professional obligations. The Company wishes Mr. Castleberry nothing but the best as he pursues the next phase of his career.

SUBSEQUENT EVENTS

On October 21, 2016, outstanding warrants totalling 6,250,000 with an exercise price of $0.25 expired.

On October 25, 2016, the Company has arranged a non-brokered private placement financing of up to 4,614,385 units to raise gross proceeds of up to $600,000. Each unit will be priced at $0.13 and will comprise one common share and one, non-transferable share purchase warrant. Each whole warrant will entitle the holder to purchase one common share at $0.20 for up to 24 months. The warrants will be subject to an acceleration clause which will allow the company to accelerate their expiry if the company's shares trade at $0.26 or more for 15 consecutive days at any time after four months and one day have elapsed from the closing of this offering. The closing of the Offering is subject to receipt of all necessary regulatory approvals including that of the TSX Venture Exchange.

On November 17, 2016, the Company announced that it had raised gross proceeds of $492,160 in a first tranche of its non-brokered private placement described above. This first tranche consisted of 3,785,845 units at a price of $0.13 per unit, with each unit comprised of one common share and one non-transferable share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of $0.20 until November 17, 2018. These warrants are subject to the acceleration clause described above. In connection with this first tranche, the Company paid finder's fees totaling $11,466 and 102,623 share purchase warrants having the same terms as above, including acceleration.

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 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.

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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. The Company's 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 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.

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 September 30, 2016, there is $32,446 (December 31, 2015 – $41,466) included in accounts receivable that is greater than 90 days old. However, the credit risk of these receivables is mitigated as they are generally comprised of sales involving "in-house" financing arrangements whereby the customer is paying for services over the term of their agreement. In-house financing arrangements are only provided to those customers following a valuation of their credit worthiness.

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 the nine months ended September 30, 2016, 81% (year ended December 31, 2015 – 81%) 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 the period ended September 30, 2016 had an effect on revenue and net income (loss). A 10% variation of the US dollar would have an impact of approximately $298,008 (year ended December 31, 2015 – $367,369) on net income (loss), on a quarterly and annual basis, respectively. 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 only subject to interest rate risk on its cash balance in the bank and there is unlikely to be a material impact on net income (loss).

Liquidity Risk

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

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

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 nine months ended September 30, 2016, four customers (2015 – three customers) accounted for approximately 14% (fiscal 2015 – 19%) of the Company's revenue. For the nine months ended September 30, 2016, one customer (year ended December 31, 2015 – one customer) accounted for a total of 47% (year ended December 31, 2015 – 48%) 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 recognizes the Company's need to expand its cash reserves in the coming year if it intends to adhere to its sales, marketing, and product development plans, and has evaluated its potential sources of funds, including: increased revenue from sale of its products and services, and possible debt and equity financing options. Although Management intends to assess and act on these options through the course of the year, there can be no assurance that the steps Management takes will be successful.

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

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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 hospitality management systems and number of market competitors offering same or similar products ; - current events affecting the economic situation and exchange rates in Canada, the United States, 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. 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 nine months ended September 30, 2016. 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.

DISCLOSURE AND INTERNAL CONTROLS AND PROCEDURES

There were no significant changes made to internal controls over financial reporting during the period ended September 30, 2016.

ADDITIONAL INFORMATION

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

For the Company

“Charles Ku”
CEO and Director