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 15, 2017 and relates to the financial condition and results of operations for the nine months ended September 30, 2017 and 2016. 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, 2016 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, 2016 and 2015 are also referred to as "fiscal 2016" and "fiscal 2015", 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 ("MRR"), 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 2017 Highlights

- The Company recorded customer revenue of $1,301,156 in Q3 2017 compared to $1,309,081 for Q3 2016; a decrease of 1%.
- The Company's net loss for Q3 2017 was $50,489, compared to net loss of $148,327 for Q3 2016; a decrease in loss of 66% or $97,838.
- EBITDA for Q3 2017 was $4,000 compared to EBITDA of ($82,103) for Q3 2016, which is an improvement of 105% or $86,103.
- For Q3 2017, total operating expenses decreased by 9% when compared to Q3 2016, while cost of sales increased by 5% when compared to the same period in 2016.

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- The Company’s Customer Retention Rate, or percent of customers that renew or don’t cancel annually, was 89% for Q3 2017 compared to 97% in Q3 2016.

OPERATIONAL RESULTS

The Company’s revenue is primarily generated by subscription fees for its Property Management System (“PMS”) software product. PMS software subscription revenue forms a stable revenue stream from which the Company generates MRR. Complementary revenues are created from partner product subscriptions, transaction fees on reservations, Global Distribution Systems (“GDS”) fees, training and support, and assorted other transactional-type fees.

RSI sold 28 and 90 new PMS properties in the first three and nine months of 2017 compared to 31 and 89 new properties during the same periods in 2016. For the first nine months of 2017, the average revenue per month per new hotel on boarded has increased by 8% compared to the same period in 2016. This is primarily due to the Company being able to negotiate slightly higher prices per room per month during the period. However, the Company has begun to feel the effects of increased market fragmentation, amalgamation, and competition in the market place which may put downward pressure on prices the Company can contract in the future. In order to counter this price trend, the Company continues to work on developing new feature sets and incremental innovations that will allow it to increase market share and average deal size to both new and existing customers. Net properties added (new properties sold minus cancellations) totaled 4 and 36 for the three and nine months ended September 30, 2017 compared to 21 and 39 for the same periods in 2016.

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 8% in 2017 from the end of 2016. RSI’s annualized Customer Retention Rates for the nine months ended on September 30, 2017 and 2016 were 91% and 93%, respectively.

Operating expenses for the three and nine month periods ending September 30, 2017, compared to the same period in 2016, decreased by approximately $115,587(9%) and $121,188 (3%), respectively. Significant decreases were in salaries and benefits, business development and travel, and office and miscellaneous. These savings were partially offset by a significant increase in bad debt expense and stock – based compensation.

The decrease in the cash balance during the third quarter of 2017 was $109,104 compared to a decrease of $106,986 during the third quarter of 2016. For the nine month period ended September 30, 2017 the decrease in cash balance totaled $222,408 compared to $956,975 for the same period in 2016.

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OVERVIEW OF THE BUSINESS

RSI International Systems Inc. is a provider of PMS software to the global hospitality industry, focusing on independent single-property, franchise, and multi-property hotels, and hotel management companies. 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 seamlessly integrate to complete the hotel's technology-set including operational back office interfaces, Revenue Management Systems ("RMS"), Customer Relationship Management Systems ("CRM"), marketing systems, accounting systems, GDS, Channel Management, loyalty, and payment processing.

Utilizing RoomKeyPMS as a platform, core RoomKeyPMS 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.

The Company's wholly-owned subsidiary, Veratta Technologies (2011) Inc. ("Veratta") is currently a private company with no activity. 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 profitability by pursuing specific markets, and offering a core PMS feature-set combined with premium features that increase competitiveness and average deal size in the economy, midscale and boutique hotel market. Sales of the Company's PMS system also act 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 to 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 debt or 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 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 under the symbol 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.

Consolidated Financial and Operating Results

Please refer to "Critical Accounting Policies and Estimates" and also the Notes to the 2016 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 Interest, 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) interest 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.

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Outlook

The Company has sold 90 new PMS properties during the first nine months of 2017 compared to 89 during the same period in 2016. The new property sales during 2017 have been of higher quality when compared to the same period in 2016 as they resulted in higher contracted revenue on a per sale basis. This higher contracted revenue is the result of contracting higher monthly rates per room for the Company's 2017 sales compared to the sales during the same period in 2016. 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 sales to continue at its current pace during the fourth quarter of 2017 through growth in PMS sales along with increased new feature sales, transactional, training, service, and partner revenues. However, the strengthening of the Canadian dollar when compared to its US counterpart has mitigated the effect of sales growth on the Company's revenue for 2017. Increasing competition and consolidation in the PMS market is also putting downward pressure on the prices per room the Company can charge per property. The Company continues to work on developing new feature sets and product offerings that it hopes will allow it to offset this trend.

The Company is also currently involved in a billing dispute with one of its largest customers representing approximately $28,000 USD in monthly revenue. The client has not paid any of its invoices dated after April 2017 and although negotiations are continuing, the Company has decided to fully provide for those outstanding invoices in bad debt expense. In an effort to resolve this dispute in a friendly manner and move our relationship forward, the Company is continuing to provide services to this customer. However, there is no assurance that any of the currently outstanding and fully provided for invoices, or any future invoices, will be paid.

In order to realize the Company's near term goal of being free cash flow positive, management continues to explore and implement cost rationalization strategies as well as ways to increase the velocity of its software development. One initiative the Company has completed is subleasing its office space in Vancouver and having its staff work virtually and in a co-working office. As a result, beginning in February 2018, all company liabilities related to office space will be off-set and provided for by sub-leases. Going forward, the Company is planning to rent a smaller footprint office space to hold meetings, collaborate, and conduct company and customer events. The projected savings of this decision to reduce office space will likely be between approximately $25,000 and $30,000 per month and will begin to take effect in February 2018. Also, in order to mitigate the risk of any short-term cash management issues associated with potential currency fluctuations and timing of customer payments, the Company has entered into a line of credit agreement with its bank for up to $400,000. Details of this facility are detailed below. The Company may also require increased funding by issuing equity or establishing another type of debt vehicle. Management is constantly monitoring industry competition trends and exploring various options to increase its product development velocity, but there can be no assurance that the steps it takes will be successful.

The Company is focusing its resources on building a new suite of technologies that will include product extensions and enhanced product offerings, as well as maintain its current software. In addition to providing improved features to the Company's existing clientele, product extensions will be designed to increase revenue per room and appeal to the more profitable hotel segments. This new suite of technologies 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

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with an intuitive web-based interface constructed in HTML5 and AngularJS. These significant changes will allow the Company to potentially increase the Company's customer base and broaden its appeal globally while realizing economies of scale, in addition to creating new sales opportunities within the Company's current customer base. The Company is also investigating adding new features, functionality and offerings that would apply to new markets. 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, and its goal of being cash flow positive.

To alleviate migration and product development risk relating to the build of the new suite of technologies, the Company is applying a lean framework to build and release new features on an incremental basis. 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 mobile housekeeping and an enhanced credit card security platform, and is currently working on fuzzy-logic guest data management, and an enterprise data engine to drive inter-operability in the market. The Company will continue to deploy new features and pivot intelligently based on market and customer trends, and its available resources. The Company began the build of this new suite of technologies during the fourth quarter of 2015 and as of September 30, 2017, has spent $1,538,096 on their development. The Company plans to fund this build through increased sales and, if necessary, through outside sources such as debt or equity financings.

Since 2012, the Company has focused on product development and maintenance, rebranding, digital demand generation, and sales 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, 2017, and has incurred a net loss of $103,345 (September 30, 2016 – $478,181) and an accumulated deficit as of September 30, 2017 of $5,129,790 (December 31, 2016 – $5,026,445).

Management's current focus is on realigning and rationalizing its operations, product offerings and overall business in order to achieve two goals. In the short term, the company's immediate goal is to become cash flow positive as the result of a thorough evaluation of value received from all expenditures, versus possible alternative solutions and careful cost cutting. Over the longer term, the Company will be working towards improving both the quality of its revenue and increasing its trajectory, through a more focused, scalable business. Management recognizes the Company may need to expand its cash reserves in the coming year if it intends to adhere to its sales, marketing, and product development plans, and has evaluated its potential sources of funds, including: increased revenue from sale of its products and services, 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 November 17, 2016, the Company closed the first tranche of non-brokerage private placement previously announced on October 25, 2016. The first tranche consisted of 3,785,845 units at a price of $0.13 per unit for gross proceeds of $492,160, with each unit comprised of one common share and one non-transferable share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of $0.20 until November 17, 2018. In connection with the first tranche, the Company paid finder's fees totaling $12,441 and 102,623 share purchase warrants having the same terms, including acceleration, as the warrants.

On December 23, 2016, the Company closed the second and final tranche of non-brokerage private placement consisted of 357,307 units at a price of $0.13 per unit for gross proceeds of $46,450. Each unit is comprised of one common share and one non-transferable share purchase warrant. Each warrant entitles the holder to purchase one common share at $0.20 until December 23, 2018. In connection with the closing of the second tranche the Company paid finder's fees totaling $1,287 and issued 9,900 share purchase warrants.

The Company incurred $31,625 share issuance cost in relation to the private placement. These costs include the finder's fees noted above as well as other legal and regulatory costs.

On April 17, 2017, the Company reported that Charles Ku had stepped down as the Company's CEO and President and from the Company's Board of Directors in order to retire. Tim Major, who has been with the Company in various capacities for the past six years, has replaced Mr. Ku as President and CEO.

Significant Financial Highlights for the Three and Nine Months Ended September 30, 2017

- The Company recorded revenue of $3,946,851 for the nine-month period ended September 30, 2017 compared to $3,697,822 for the same period ended in 2016; an increase of 7%.

- The Company recorded revenue of $1,301, 156 for the quarter ended September 30, 2017 compared to $1,309,081 for the quarter period ended September 30, 2016; a slight decrease of 1%.

- For the nine-month period ended September 30, 2017, revenue increased by $249,029 (7%), cost of sales decreased by $4,619 (1%) and expenses decreased by $121,187 (3%) when compared to the same period in 2016.

- For the quarter ended September 30, 2017, revenue decreased by $7,925 (1%), cost of sales increased by $9,824 (5%) and expenses decreased by $115,587 (9%) when compared to the same quarter in 2016.

- The Company's Monthly Recurring Revenue (not adjusted for foreign exchange translation) as at September 30, 2017 increased by 8% compared to the end of 2016.

- The percent of customers that renewed or did not cancel described as Customer Retention Rate, was 89% for Q3 2017 compared to 97% in Q3 2016. For the nine month period ended September 30, 2017 the Customer retention rate is 91% compared to 93% during the same period in 2016.

- The Company's net loss for the nine-month period ended September 30, 2017 was $103,345 compared to $478,181 for the same period ended September 30, 2016; a decrease in net loss of $374,836 (78%).

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- Total operating expenses during the nine-month period ended September 30, 2017 totalled $3,482,781 compared to $3,603,969 during the same period in 2016. A decrease of $121,188 or 3%.

- Total operating expenses during the three-month period ended September 30, 2017 totalled $1,151,551 compared to $1,267,138 during the same period in 2016. A decrease of $115,587 or 9%.

- Foreign exchange gains during the nine-month period ended September 30, 2017 were $27,611 compared to a loss of $38,528, or a change of 172%, when compared to the same period in 2016.

- Foreign exchange gains during the quarter ended September 30, 2017 totalled $21,755 compared to a loss of $58,963 for a change of 137% during the same period in 2016.

- For the nine-month period ended September 30, 2017, the Company decreased its spending on Business Development and Travel by $145,784 (61%) compared to the same period in 2016. During the same period in 2016, the Company visited most of its top customers in order to introduce its new VP of Sales and Marketing and invited all of its major customers to Vancouver, Canada for a client advisory summit.

- For the quarter ended September 30, 2017, the Company decreased its spending on Business Development and Travel by $20,762 (47%) compared to the same quarter in 2016. The Company continues to focus on becoming free cash flow positive and is keeping travel and other discretionary spending to a minimum.

- During the nine-month period ended September 30, 2017, the Company granted 1,375,000 incentive stock options to the officers, managers and directors of the Company at an exercise price of $0.20 per share with a term of five years and vested over two years. As a result of this grant, the Company has recorded stock-based compensation totaling $100,710 (September 30, 2016 - $nil).

- For the nine-month period ended September 30, 2017, the Company decreased its spending on Professional Fees by $19,208 (8%) compared to the same period in 2016. During the second half of 2016, the Company contracted a Vice-President of Gaming. That position has since been eliminated.

- For the quarter ended September 30, 2017, the Company decreased its spending on Professional Fees by $36,646 (39%) compared to the same period in 2016. During the second quarter of 2016 increased legal, IT, and gaming industry consulting activity led to the larger expenditure. Those costs were not incurred in the third quarter of 2017.

- Salaries and Benefits decreased in the nine-month period ended September 30, 2017 compared to the same period in 2016 by $425,091, or 17%. This is primarily a result of staff restructuring begun in late 2016.

- Salaries and Benefits decreased in the quarter ended September 30, 2017 compared to the same quarter in 2016 by $177,094, or 22%. Of note, the position of VP Sales and Marketing was eliminated and rolled into the position of VP Operations.

- EBITDA for the nine-month period ended September 30, 2017 was $111,346 compared to EBITDA of ($304,347) for the same period 2016, which is an increase of 137% or $411,172.

- EBITDA for the quarter ended September 30, 2017 was $4,000 compared to EBITDA of ($82,103) for the same quarter in 2016, which is a positive change of 105% or $86,103.

Please refer to the following section for further explanations.

Nine Months Ended September 30, 2017 Compared to Nine Months Ended September 30, 2016

Summarized Consolidated Financial Results Nine Months ended September 30,		2017		2016	% Change
Revenues	$	3,946,851	$	3,697,822	7
EBITDA		111,346		(304,347)	137
Interests and bank charges		(40,285)		(33,880)	19
Depreciation		(31,031)		(25,972)	19
Amortization & write-downs		(143,375)		(113,982)	26
Net loss for the period		(103,345)		(478,181)	(78)
Basic and diluted loss per share	$	(0.00)	$	(0.01)	

Three Months Ended September 30, 2017 Compared to Three Months Ended September 30, 2016

Summarized Consolidated Financial Results Three Months ended September 30,		2017		2016	% Change
Revenues	$	1,301,156	$	1,309,091	(1)
EBITDA		4,000		(82,103)	105
Interests and bank charges		(12,165)		(8,952)	36
Depreciation		(9,886)		(12,175)	(19)
Amortization & write-downs		(32,438)		(45,097)	(28)
Net income (loss) for the period	$	(50,489)		(148,327)	(66)
Basic and diluted earnings (loss) per share	$	0.00	$	(0.00)	

RoomKeyPMS

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 2017 the Company incurred lower expenses compared to the same period in 2016. Office, business development and travel, and salaries and benefits decreased significantly, while amortization of property, plant, and equipment, amortization of deferred development costs, stock based compensation, and bad debt expense increased during the nine months ended September 30, 2017 compared to the same period in 2016.

Year to Date 2017 Results

Summarized Consolidated Financial Results Nine Months ended September 30,	2017	2016	% Change
Revenues	$ 3,946,851	$ 3,697,822	7
Cost of goods sold	567,415	572,034	(1)
Gross Margin	3,379,436	3,125,788	8
Expenses			
Operating costs	1,077,502	732,752	47
Stock – based compensation	100,710	-	n/a
Foreign exchange (gains) loss	(27,611)	38,528	172
Business development & travel	94,737	240,521	(61)
Marketing	232,250	161,884	43
Salaries and benefits	2,005,193	2,430,284	(17)
Total Expenses	3,482,781	3,603,969	(3)
EBITDA	111,346	(304,347)	137
Interests and bank charges	(40,285)	(33,880)	19
Depreciation	(31,031)	(25,972)	19
Amortization of deferred development	(143,375)	(113,982)	26
Loss from operations	$ (103,345)	$ (478,181)	(78)

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 the nine months ended September 30, 2017 increased by 7% compared to the same period in 2016. 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. The Company has added 36 net

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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 was 91% for the nine-month period ended September 30, 2017.

Cost of Sales

Cost of sales for in the nine months ended September 30, 2017 decreased by $4,619 or 1% compared to the same period in 2016.

Operating Costs

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

Operating costs in the nine months ended September 30, 2017 increased by $344,750 or 47% when compared to the same period in 2016. The primary reasons for this decrease were:

- Increase in interest and bank charges
  Interest and bank charges in the nine months ended September 30, 2017 increased by $6,405 (19%) compared to the same period in 2016 due to higher credit card transactions.

- Increase in rent and utilities
  Rent and utilities in the nine months ended September 30, 2017 increased by $158,443 (122%) compared to the same period in 2016, due to higher rent and operating costs after the Company moved to a larger office space during the second half of 2016. In Q4 2017 the Company has reached an agreement to sublet the office it is currently residing in. As a result, all Company office lease liabilities will be covered by payments from sub-leases beginning in February 2018.

- Decrease in professional fees
  Professional fees in the nine months ended September 30, 2017 decreased by $19,208 (8%) compared to the same period in 2016 primarily as a result of the hiring of a VP of Gaming during the second half of 2016. That position was eliminated at the beginning of 2017.

- Increase in internet and networking
  Internet and networking costs decreased by $2,404 (6%) compared to the same period in 2016.

- Increase in bad debt
  Bad debt expense for the nine month period ended September 30, 2017 totalled $185,881. This is compared to a recovery totaling $7,013 during the same period in 2016. The Company is currently involved in a billing dispute with one of its largest customers who has not paid their invoices since April 2017. Although negotiations are continuing, all invoices from May 2017 to September 2017, totaling $174,073, have been fully provided for in the third quarter of 2017.

- Decrease in office and miscellaneous
  Office and miscellaneous costs decreased by $52,305 (44%) compared to the same period in 2016 mainly as a result of realtor commissions on subleasing old office space in 2016.

- Increase in depreciation

Depreciation of equipment was $31,031 during the nine months ended September 30, 2017 compared to $25,972 in the same period in 2016. Increase in depreciation expense was due to the purchase of office and computer equipment for new office and staff during 2016.

- Increase in amortization of deferred development
  Amortization of deferred development costs for the nine months ended September 30, 2017 increased by $29,393 (26%) compared to the same period in previous year, primarily due to the general release to the market of two brand new modules relating to the new RoomKeyPMS suite of technologies in middle of 2016.

Stock-based Compensation

During the nine months ended September 30, 2017, the Company granted 1,375,000 incentive stock options to the officers, managers, and directors of the Company at an exercise price of $0.20 per share with a term of five years and vesting 1/3 immediately, 1/3 on the first year anniversary of grant, and 1/3 on the second year anniversary of grant. As a result of this grant, the Company recorded stock-based compensation totaling $100,710 (September 30, 2016 - $nil).

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

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

Foreign Exchange Gains (Loss)

The foreign exchange gains in the nine months ended September 30, 2017 totalled $27,611. This is compared to foreign exchange losses of $38,528 during the same period in 2016. This reflects the impact of translation of US denominated monetary items such as cash, accounts receivable, and accounts payable. 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.

Salaries & Benefits

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

Salaries and benefits decreased by $425,091 (17%) during the nine months ended September 30, 2017 compared to the same period in 2016. The Company initiated a significant salary restructuring plan late in 2016 and during the early part of 2017. This restructuring plan included staffing cuts and salary reductions. As well, a portion of salaries are being capitalized to deferred development costs as they relate to the development of the new RoomKey PMS suite of technologies.

Marketing

For the nine months ended September 30, 2017, marketing costs were $70,366 (43%) higher compared to the same period 2016, which was primarily related to an increase in lead generation costs and increased focus on digital marketing during 2017. The Company's marketing activities during the first half of 2016 were in transition and resulted in the lower costs during that period.

Business Development and Travel

Business development and travel for the nine months ended September 30, 2017 decreased by $145,784 (61%) compared to the same period in previous year. During the first six months of 2016, visits to a significant portion of the Company's largest customers and various trade shows were undertaken to introduce its new VP of Sales and Marketing. As well, 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 future RoomKeyPMS products and features.

Q3 2017 Results

Summarized Consolidated Financial Results Three months ended September 30,	2017	2016	% Change
Revenues	$1,301,156	$ 1,309,081	(1)
Cost of goods sold	200,094	190,270	5
Gross Margin	1,101,062	1,118,811	(2)
Expenses			
Operating costs	433,402	297,691	46
Stock-based compensation	18,882	-	n/a
Foreign exchange loss (gains)	(21,755)	58,963	137
Business development & travel	23,095	43,857	(47)
Marketing	73,775	65,382	13
Salaries and benefits	624,151	801,245	(22)
Total Expenses	1,151,552	1,267,138	(9)
EBITDA	4,000	(82,103)	105
Interests and bank charges	(12,165)	(8,592)	36
Depreciation	(9,886)	(12,175)	(19)
Amortization & write-downs	(32,438)	(45,097)	(28)
Loss from operations	$ (50,489)	$ (148,327)	(66)

Revenues

Revenue for Q3 2017 decreased by 1% compared to Q3 2016. Although the Company continued to add new properties to its portfolio and upsell to its current customer base during the quarter, the additional revenue was offset by the effect of the reduction of the value of the US dollar versus its

Canadian counterpart. Approximately 80% of the Company's revenue is US dollar based.

Cost of Sales

Cost of sales in Q3 2017 increased by 5% compared to the same period in 2016. The third quarter of 2017 had higher % revenue from 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 2017 increased by 46% when compared to Q3 2016. The primary reasons for this increase were:

- Increase in interest and bank charges
  Interest and bank charges in Q3 2017 increased by $3,213 (36%) compared to Q3 2016.

- Increase in rent and utilities
  Rent and utilities in Q3 2017 increased $54,038 (125%) compared to Q3 2016, due to higher rent and operating costs in the new office space the Company moved into in the second half of 2016.

- Decrease in professional fees
  Professional fees in Q3 2017 decreased $36,646 (39%) compared to Q3 2016 as a result of the creation of the VP of Gaming position within the Company. That position was discontinued in 2017.

- Increase in bad debt
  Bad debt expense totalled $173,928 (Q3 2016 - $nil) during the third quarter of 2017. The Company is currently in a billing dispute with one of its largest customers who has not paid their invoices since April 2017. Although negotiations are continuing, all invoices from May 2017 to September 2017, totaling $174,073, have been fully provided for.

- Decrease in internet and networking
  Internet and networking costs were reduced by $2,658 (19%) primarily the result of the Company's internal IT no longer being outsourced.

- Decrease in depreciation
  Depreciation of equipment was $9,886 in Q3 2017 compared to $12,175 in Q3 2016.

- Decrease in amortization of deferred development
  Amortization of deferred development costs for Q3 2017 decreased by 12,659 (28%) compared to the same period in previous year. The decrease is the result of development on the old RoomKeyPMS platform being now fully amortized.

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Stock-based Compensation

The Company recorded stock-based compensation expense of $18,882 (September 30, 2016 - $nil) during Q3 2017 as a result of the amortization of the vesting of stock options granted in early 2017 discussed above.

Foreign Exchange Gains (Loss)

The Company recorded a foreign exchange gains of $21,755 during Q3 2017. This is compared a foreign exchange loss of $58,963 during Q3 2016. This reflects the conversion of US dollar denominated revenue and the impact of translation of US denominated monetary items such as cash, accounts receivable, accounts payable and accrued liabilities, and deferred revenue.

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 $177,094 (22%) in Q32017 compared to Q3 2016. The Company initiated a significant salary restructuring plan late in 2016 and during the early part of 2017. This restructuring plan included staffing cuts and salary reductions. As well, a portion of salaries are being capitalized to deferred development costs as they relate to the development of the new RoomKey PMS suite of technologies

Marketing

For Q3 2017, marketing costs were $8,393 (13%) higher compared to Q3 2016, primarily related to increased focus on social media, digital marketing, and marketing to the Company's existing customer base for add-on revenue.

Business Development and Travel

Business development and travel for Q3 2017 decreased by $20,762 (47%) compared to the same period in previous year, primarily due to the Company's increased presence at the HITEC trade show in New Orleans in 2016. The Company's conscious reduction in business travel and development costs, in order to increase its marketing spend, has proved effective in increasing the number of leads coming into the Company as well as their quality.

LIQUIDITY AND CAPITAL RESOURCES

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

As at September 30,	2017	2016
	$	$
Cash	156,359	188,452

For the nine months ended September 30,	2017	2016
Net cash provided by (used in) operating activities	219,961	(302,945)
Net cash provided by financing activities	57,500	10,741
Net cash used in investing activities	(499,869)	(664,771)

For the three months ended September 30,	2017	2016
Net cash provided by (used in) operating activities	57,658	85,781
Net cash used in financing activities	-	10,741
Net cash used in investing activities	(166,762)	(203,508)

Net Cash Provided by (Used in) Operating Activities

Positive cash flow from operating activities resulted in a net source of cash funding of $219,961 in the first nine months of 2017. This compares to a use of cash of $302,945 in the same period in 2016. This change was primarily the result of the growth in revenue which resulted at the same time the Company initiated an extensive cost rationalization strategy. Net loss in the first three quarters in 2017 was $103,345 compared to a $478,181 net loss in the same period in 2016. The change in non-cash operating assets and liabilities resulted in a $137,691 cash outflow in the nine months ended September 30, 2017, compared to $42,295 cash inflow in the same period in 2016.

The cash outflow of $137,691 from non-cash operating assets and liabilities was mainly attributable to an increase in prepaid expenses of $63,220, and an increase in accounts receivable of $113,134 and a decrease in deferred revenue of $37,680. These cash outflows were partially offset by an increase in accounts payable and accrued liabilities of $75,940.

The cash inflow of $42,295 from non-cash operating assets and liabilities during the first nine months of 2016 was mainly attributable to an increase in deferred revenue of $124,881, partially offset by increases in accounts receivable of $20,594, increases in prepaids of $50,115, and a decrease in accounts payable and accrued liabilities of $11,876.

Net Cash Provided by Financing Activities

Financing activities for the nine months ended September 30, 2017 resulted in a source of cash of $57,500. The cash from financing activities was attributable from the issuance of shares upon exercise of 575,000 stock options.

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During the first nine months of 2016, the Company collected $10,741 in security deposits relating to the subleasing of its old office space.

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 2017, investing activities resulted in a use of $499,869, spent mostly on the development of the new RoomKeyPMS suite of technologies, compared to a use of $664,771 during the same period in 2016. Of the amount spent during the nine months ended September 30, 2017, $498,084 (September 30, 2016 - $595,715) was spent relating to the development of the new RoomKeyPMS suite of technologies.

As of September 30, 2017, the Company has a working capital deficiency of $416,279. This is compared to a working capital deficiency of $145,681 as at December 31, 2016.

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 uses the subscription model of invoicing, 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:

	2017			
	Q4	Q3	Q2	Q1
Revenues		$1,301,156	$ 1,320,734	$ 1,324,961
EBITDA		4,000	91,350	15,996
Interests and bank charges		(12,165)	(10,322)	(17,798)
Depreciation		(9,886)	(9,967)	(11,178)
Amortization & write-downs		(32,438)	(54,711)	(56,226)
Net loss for the quarter		(50,489)	16,350	(69,206)
Basic and diluted earnings (loss) per share		(0.00)	$ 0.00	$ (0.00)

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	2016			
	Q4	Q3	Q2	Q1
Revenues	$1,284,257	$ 1,309,081	$ 1,162,626	$ 1,226,115
EBITDA	(75,085)	(82,103)	(242,397)	20,153
Interests and bank charges	(10,598)	(8,952)	(14,299)	(10,629)
Depreciation	(10,454)	(12,175)	(7,841)	(5,956)
Amortization & write-downs	(67,354)	(45,097)	(45,097)	(23,788)
Net loss for the quarter	(163,491)	(148,327)	(309,634)	(20,220)
Basic and diluted loss per share	$ (0.01)	$ (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

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 2017, 2016 and 2015 has been derived from the consolidated financial statements.

Nine months ended September 30,	2017	2016	2015
Revenues	$ 3,946,851	$ 3,697,822	$ 3,386,067
Net income (loss) for the period	(103,345)	(478,181)	(54,775)
Basic and diluted earnings (loss) per share	(0.00)	(0.01)	0.00
Total assets	1,879,327	1,576,759	1,893,194
Total current liabilities	847,692	951,381	704,492
Total non-current liabilities	$ 10,741	10,741	$ 16,799

Quarter ended September 30,	2017	2016	2015
Revenues	$ 1,301,156	$ 1,309,081	$ 1,282,066
Net income (loss) for the quarter	(50,489)	(148,327)	(86,125)
Basic and diluted earnings (loss) per share	0.00	(0.00)	(0.00)

Management of Capital

The Company's objectives in managing capital are to ensure sufficient liquidity to pursue its strategy of growth in order 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, 2017.

OUTSTANDING SHARE DATA

As at November 15, 2017, there were 36,685,278 common shares, 2,225,000 stock options and 4,255,675 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 $nil (September 30, 2016 – $9,000) was paid to a director of the Company.

2. Salaries and employee benefits of $439,923 (September 30, 2016 – $566,350) were paid to key management personnel.

3. The Company paid remuneration for management services to a company controlled by a director in common totaling $53,200 (September 30, 2016 – $22,500).

Included in accounts payable and accrued liabilities at September 30, 2017 is $nil (December 31, 2016 – $8,428) receivable from directors.

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

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CRITICAL ACCOUNTING POLICIES AND ESTIMATES

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34 Interim Financial Reporting have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with IFRS have been omitted or condensed, and therefore these condensed consolidated interim financial statements should be read in conjunction with the December 31, 2016 audited annual consolidated financial statements and the notes.

These unaudited condensed consolidated interim financial statements are based on the IFRS effective as of November 15, 2017, 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:

Accounting Standards Issued but Not Yet Effective

The following standards and interpretations have not been in effect as they will only be applied for the first time in future periods. They may result in consequential changes to the accounting policies and other note disclosures. The Company has not yet assessed the impacts of the standards or determined whether it will adopt the standards early.

IFRS 9 Financial instruments

IFRS 9 was issued in November 2009 and subsequently amended as part of an ongoing project to replace IAS 39 Financial instruments: Recognition and measurement. The standard requires the classification of financial assets into two measurement categories based on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. The two categories are those measured at fair value and those measured at amortized cost. The classification and measurement of financial liabilities is primarily unchanged from IAS 39. However, for financial liabilities measured at fair value, changes in the fair value attributable to changes in an entity's "own credit risk" is now recognized in other comprehensive income instead of in profit or loss. This new standard will also impact disclosures provided under IFRS 7 Financial instruments: disclosures.

In November 2013, the IASB amended IFRS 9 for the significant changes to hedge accounting. In addition, an entity can now apply the "own credit requirement" in isolation without the need to change any other accounting for financial instruments. The standard was initially effective for annual periods beginning on or after January 1, 2013, but the complete version of IFRS 9, issued in July 2014, moved the mandatory effective date to January 1, 2018. The Company does not expect this amendment to have a material impact on its consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, which covers principles for reporting about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The core principle of the new standard is that an entity recognizes revenue to represent the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard also provides a model for the recognition and measurement of gains or losses from sale of non-financial assets.

IFRS 15 is effective for annual periods beginning on or after January 1, 2018 with earlier adoption permitted. The standard permits the use of either full or modified retrospective application. This new accounting guidance will also result in enhanced disclosures about revenue. The Company does not expect this amendment to have a material impact on its consolidated financial statements.

IFRS 16 - Leases

On January 13, 2016, the International Accounting Standards Board published a new standard, IFRS 16, Leases, eliminating the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Under the new standard, a lease becomes an on-balance sheet liability that attracts interest, together with a new right-of-use asset. In addition, lessees will recognize a front-loaded pattern of expense for most leases, even when cash rentals are constant. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted. The extent of the impact of adoption of the standard has not yet been determined.

BOARD AND MANAGEMENT CHANGES

On April 17, 2017, the Company reported that Charles Ku had stepped down as the Company's CEO and President and from the Company's Board of Directors in order to retire. Tim Major, who has been with the Company in various capacities for the past six years, has replaced Mr. Ku as President and CEO.

On September 26, 2017, the Company reported that Jason Moreau had resigned from the Company's Board of Directors as a result of other professional obligations.

SUBSEQUENT EVENTS

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

RISKS AND UNCERTAINTIES

As operating in the technology industry inherently involves a certain level of risk and uncertainty, management continually improves and adapts the Company's risk mitigation strategies. 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, as well as development resources. In addition, new entrants and established companies continue 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 its 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.

The hospitality technology industry is fast paced and continuously evolving as a function of both technology improvements and industry dynamics.

We cannot be sure we will be able to identify market trends, enhance our existing technologies or develop new technologies in order to effectively compete in the PMS software industry. To succeed, we must be able to enhance our existing technologies and develop new technologies and products to meet market requirements and preferences.. To drive sales and retain customers, our products must meet the needs of users and be competitively priced to warrant sufficient interest in and demand for our products. If we do not develop these new technologies and products in a timely and cost effective manner, or if others develop new technologies ahead of us, we may not achieve profitability in the PMS software industry and may not be able to participate in selling these new technologies or products.

Employee Turnover

Highly skilled technical employees and management in the software industry are in demand and the market for such persons is highly competitive. We cannot be sure that we will be able to retain such employees or hire replacements. If we do not successfully retain key personnel or hire and train replacements, we will be unable to develop the new products and technologies necessary to compete in our markets or to effectively manage our business.

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 accounts receivable.

The Company's exposure to credit risk associated with its accounts receivable are the risk that a

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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, 2017, there is $31,786 (December 31, 2016 – $5,372) included in accounts receivable that is greater than 90 days old. However, the credit risk of these receivables is mitigated as they are generally comprised of sales involving "in-house" financing arrangements whereby the customer is paying for services over the term of their agreement. In-house financing arrangements are only provided to those customers following a valuation of their credit worthiness.

Currency Risk

The functional currency of RSI is the Canadian dollar. Most of the foreign currency risk is related to US dollar funds held in bank, and accounts receivable and accounts payable balances denominated in US dollar. Therefore, the Company's net loss is impacted by fluctuations in the valuation of the US dollar in relation to the Canadian dollar.

The Company does not hedge its exposure to currency fluctuations. The Company has completed a sensitivity analysis to estimate the impact that a change in foreign exchange rates would have on the net loss of the Company, based on the Company's financial instruments in US dollar as at year end. This sensitivity analysis shows that a change of +/- 10% in US$ foreign exchange rate would have a -/+ $11,629 impact on net loss.

Interest Rate Risk

The Company is only subject to interest rate risk on its cash balance in the bank and there is unlikely to be a material impact on net income (loss).

Liquidity Risk

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

As at September 30, 2017, the Company had total debt in the amount of $398,087 due within 12 months (December 31, 2016 – $322,147). As at September 30, 2017, the Company held cash of $156,359 (December 31, 2016 – $378,767) and accounts receivable of $150,066 (December 31, 2016 – $222,813).

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, 2017, four customers (2016 – four customers) accounted for approximately 19% (September 30, 2016 – 14%) of the Company's revenue. As of September, 2017, three customer (December 31, 2016 – one customer) accounted for a total of 25% (December 31, 2016 – 53%) 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 may need to expand its cash reserves in the coming year if it intends to adhere to its sales, marketing, and product development plans, and has evaluated its potential sources of funds, including: increased revenue from sale of its products and services, 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 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 six months ended June 30, 2017. 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 CONTROLS AND PROCEDURES

There were no significant changes made to internal controls over financial reporting during the period ended September 30, 2017.

ADDITIONAL INFORMATION

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

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