RSI INTERNATIONAL SYSTEMS INC.

Management's Discussion and Analysis

Year ended – December 31, 2019

(Expressed in Canadian dollars, unless otherwise noted)

April 29, 2020

This Management's Discussion and Analysis ("MD&A") relates to the financial condition and results of operations of RSI International Systems Inc. ("RSI" or the "Company") together with its subsidiaries as of the date of this report, and is intended to supplement and complement the Company's audited consolidated financial statements for the year ended December 31, 2019. Readers are cautioned that this MD&A contains forward-looking statements and that actual events may vary from management's expectations. RSI's public disclosure documents are available on SEDAR at www.sedar.com. The consolidated financial statements and MD&A are presented in Canadian Dollars, except where noted, and have been prepared in accordance with International Financial Reporting Standards ("IFRS"). This discussion addresses matters we consider important for an understanding of our financial condition and results of operations as of and for the year ended December 31, 2019.

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, 2019 and 2018 are also referred to as "fiscal 2019" and "fiscal 2018", 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-IFRS 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-IFRS and additional IFRS Measures" section of this document.

CORPORATE OVERVIEW

Overview

RSI International Systems Inc. was 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"). RoomKeyPMS interfaces to many 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 provide a cloud-based PMS that can help drive increases in occupancy and average daily rate ("ADR") for RoomKeyPMS users.

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.

In planning for the Company's future, management continuously evaluates the Company's cash flow requirements and expects growth to be financed by cash on hand and the interest it generates. along with other equity and debt financing. There is no guarantee that management's efforts in this regard will be successful. Prior to the NSight Transaction described below, Management based investment decisions on anticipated cash flow from future customer subscriptions. Product development and marketing expenditures were incurred to maintain competitiveness in the market.

COVID-19

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

NSight Inc. Transaction – January 2019

As per the Definitive Agreement announced by the Company January 9, 2019, the Company sold its RoomKeyPMS business to NSight Inc. ("NSight") on an arm's length basis, for gross proceeds of US$4.6 million. This amount was adjusted to a Canadian dollar amount of approximately $6.0 million by averaging the posted Bank of Canada rate for the average of the seven business days prior to September 7, 2018 and the average of the seven business days prior to February 5, 2019, to arrive at an exchange rate of 1.3127 US to Canadian dollars. As NSight did not assume any of RSI's liabilities except where necessary to run the business going forward, the assumption of any such liabilities was deducted from the gross proceeds. The gross proceeds were adjusted to account for the timing of certain receivables, payables, deferred revenue, prepaid costs and other items that are assumed by NSight. Totaling these adjustments and subtracting them from the gross purchase price, left a net proceeds figure of approximately $5.6 million. In addition, by undertaking the Transaction, the Company incurred additional costs, including approximately $254,162, paid in Q1 2019, for change of control payments to departing senior managers and $80,000 in related legal expense..

At the RSI shareholder meeting held on February 5, 2019, 64.7% of the Company's outstanding shares were voted in person or by proxy. 100% of the votes cast in respect of the Transaction were in favour.

The Company is currently looking for accretive transactions and assets to continue to build shareholder value.

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

HIGHLIGHTS – FISCAL YEAR ENDED DECEMBER 31, 2019

- Cash and short term investment (GIC) balance of $5,270,928 as at December 31, 2019 (December 31, 2018 - $212,246).
- During the year ended December 31, 2019, the Company had $446,900 (2018 - $4,913,248) of revenue.
- During the year ended December 31, 2019, the Company had a net income of $4,534,595 (2018 – net loss $59,758).
- As per Definitive Agreement announced by the Company on January 9, 2019, the Company sold its RoomKeyPMS business to NSight, resulting in a net proceeds figure of approximately $5.6 million.
- In conjunction with the sale of RoomKeyPMS in the NSight Transaction, all of the Company's management resigned to take roles with NSight.
    - Accordingly, the Company announced that it had appointed Adam Ho, as President & Chief Executive Officer, ("CEO") replacing Tim Major. Mr. Ho has been a member of the Company's Board of Directors since August 2016 and was instrumental in completing the sale of the Company's business.
    - The Company also announced the appointment of Sam Wong as Chief Financial Officer, ("CFO") replacing Giovanni Susin. Mr. Wong is currently the Chief Financial Officer of various junior mining public companies that are listed on the TSX Venture. He was also previously the Chief Financial Officer of Goldgroup Mining Inc, where he significantly decreased the cost of and levels of debt through various cost cutting and restructuring initiatives. Mr. Wong is a Chartered Professional Accountant and articled at Deloitte LLP in Vancouver, BC.

Q4 2019 MD&A (expressed in CAD Dollars) – year ended

SUMMARY OF CONSOLIDATED INCOME (LOSS)

Year Ended December 31,	2019	2018	2017
Revenue	$ 446,900	$ 4,913,248	$ 4,909,702
EBITDA	4,562,051	211,748	(236,085)
Interest and bank charges	(8,537)	(53,559)	(57,683)
Depreciation	(1,904)	(32,088)	(40,356)
Amortization of deferred development	(17,015)	(185,859)	(206,535)
Net income (loss) and comprehensive income (loss)	4,534,595	(59,758)	(540,659)
Basic/Diluted earnings (loss) per share	0.12	(0.00)	(0.01)

Year ended December 31,	2019	2018	2017
Revenue	$ 446,900	$ 4,913,248	$ 4,909,702
Cost of good sold	(84,631)	(1,000,531)	(775,621)
Gross Margin	362,269	3,912,717	4,134,081
Stock-based compensation	(96,896)	(15,362)	(121,699)
Operating costs	(151,640)	(852,042)	(1,401,054)
Foreign exchange gain (loss)	16,958	(64,097)	(11,615)
Business development & travel	(2,398)	(31,475)	(111,982)
Marketing	(39,624)	(229,166)	(295,676)
Lease accretion gain, net	47,534	-	-
Gain on sales of disposition of assets	4,586,148	-	-
Salaries and benefits	(187,756)	(2,780,333)	(2,732,714)
Total recovery (expenses)	4,172,326	(3,972,475)	(4,674,740)
Net income (loss) and comprehensive income (loss)	4,534,595	(59,758)	(540,659)
Basic/Diluted earnings (loss) per share	0.12	(0.00)	(0.01)

The Company earned a net income of $4,534,595, which was higher than the comparative previous two fiscal years in 2018, and 2017. This was mainly driven by the $4.6 million gain from the NSight transaction.

Stock based compensation

Stock based compensation expense of $96,896 was higher than fiscal 2018 and lower than fiscal 2017, as new stock option was granted and partially vested on May 1, 2019.

Revenue, cost of sales, operating costs, marketing, salaries and benefits

Revenue, cost of sales, operating costs, marketing, salaries and benefits were lower than the previous two fiscal years in fiscal 2018 and 2017, as the Company has sold its revenue generating asset to NSight.

Business development & travel, and foreign exchange

Business development, travel was lower than fiscal 2018, 2017, as the Company is continuously looking for cost cutting initiatives to improve cash flow. Foreign exchange fluctuates dependent on the strength of the US dollar.

Lease accretion gain, net

On January 1, 2019, the Company adopted IFRS 16, which requires the Company to accrete the discount value of its lease receivables and lease liability through non-cash accretion expense. This accounting standard was not in effect in fiscal 2018 and 2017.

Q4 2019 MD&A (expressed in CAD Dollars) – year ended

Consolidated quarterly loss – 8 quarters historic trend

	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Revenues	$ -	$ -	$ -	$443,093	$1,196,551	$1,280,750	$1,261,879	$1,174,068
EBITDA	(79,978)	(15,299)	(70,294)	4,727,622	22,785	218,734	65,527	(95,298)
Interests and bank charges	(317)	(366)	(1,113)	(6,741)	(13,232)	(13,046)	(14,230)	(13,051)
Depreciation	-	-	-	(1,904)	(6,676)	(7,646)	(6,988)	(10,778)
Amortization & write-downs	-	-	-	(17,015)	(51,045)	(51,044)	(51,044)	(32,726)
Total comprehensive gain (loss)	(80,295)	(15,665)	(71,407)	4,701,962	(48,168)	146,998	(6,735)	(151,853)
Basic/Diluted earnings (loss) per share	(0.00)	(0.00)	(0.00)	0.13	(0.00)	0.00	(0.00)	(0.00)
Total assets	$ 5,880,097	$ 5,829,856	$ 5,874,109	$ 6,008,785	$ 1,651,770	$ 1,727,155	$ 1,603,623	$ 1,604,276

Three months ended December 31, 2019 vs. previous quarters in 2019

Revenue, depreciation and amortization were $nil in the current quarter as the Company has sold its revenue generating asset to NSight in Q1 2019.

EBITDA and net income were higher in Q1 2019 as there was a gain on disposition of assets to NSight recognized of $4.6 million.

Interest and bank charges were lower as there was less banking activity compared to Q1, Q2, Q3 in 2019 since the disposition of assets to NSight.

Three months ended December 31, 2019 vs. all historic quarters in 2018 and 2017

Revenue was lower than all of its comparative period in fiscal 2018 and 2017 as the Company has sold its revenue generating asset to NSight.

EBITDA and net loss were different than majority of the historic quarters of 2018 and 2017 due to the lack of revenue and operations. Net income was mainly made up of corporate expense to manage RSI as a public company and seek new transaction for its shareholders.

Interest and bank charges were lower as there was no loan outstanding during the current quarter due to the cash available from the NSight transaction.

Depreciation and amortization in the current period were lower than any of the historic quarters as the depreciable assets has been disposed as part of the NSight transaction.

Change in total assets

As at December 31, 2019, the total assets is approximately $5.8 million. Total assets increased due to the cash injection of $5.6 million from the NSight transaction from Q1 2019.

Q4 2019 MD&A (expressed in CAD Dollars) – year ended

LIQUIDITY AND CAPITAL RESOURCES

	Year ended December 31,		
	2019	**2018**	**2017**
Cash inflow (outflow) from operating activities	$ (239,035)	$ 160,366	$ 115,798
Cash inflow (outflow) from investing activities	448,715	(49,856)	(555,318)
Cash inflow (outflow) from financing activities	(151,998)	-	162,489
Net cash flows	57,682	110,510	(277,031)
Cash balance	$ 269,928	$ 212,246	$ 101,736

	2019	**2018**	**2017**
Cash balance	$ 269,928	$ 212,246	$ 101,736
Short term investment – GIC	5,001,000	-	-
Short term investment interest in receivable	84,800	-	-
Total cash and short term investments	5,355,728	$ 212,246	$ 101,736

As at December 31, 2019, the Company's net working capital was $5,203,352 (December 31, 2018 deficit - $606,445), which was higher than December 31, 2018. The improvement was mainly driven by the injection of $5.6 million cash resulted from the NSight transaction.

The cash outflow from operating activities for the year ended December 31, 2019 was $239,035 which is lower when comparing to cash inflows from fiscal 2018 and 2017. This was driven by movement in working capital items, namely the decrease of accounts payables due to various payments. In addition, as the Company has sold its operations, there is significantly reduced cash inflow from sales. In addition, there are lease related items considered as operating activities upon transition to IFRS 16 on January 1, 2019.

Cash inflow from investing activities was $448,715 for the year ended December 31, 2019, which was higher than the comparative outflow of $49,856 in 2018, and outflow of $555,318 in 2017. This was a direct result from the proceeds received in the current period from the NSight transaction, net of transaction costs. The Company further invested $5,001,000 into short investment (GIC) in the current year. In addition, upon transitioning to IFRS 16, proceeds received from the sublease are recorded as investing activities as well.

Cash outflow from financing activities during 2019 was $151,998, which is a higher outflow when comparing with nil in 2018 and inflow of $162,489 in 2017. Upon transitioning to IFRS 16 on January 1, 2019, the cash payments related to the lease are considered as financing activities.

The Company's ability to continue as a going concern is dependent on the Company's ability to raise funds and generate interest income. The Company has sufficient working capital to fund the planned development and corporate expenses through 2019 from the NSight Transaction.

SHAREHOLDERS' EQUITY

As at December 31, 2019 and the date of this report, there were 36,835,278 common shares and 1,825,000 stock options outstanding.

	Stock options	Common shares
As at December 31, 2019	1,825,000	36,835,278
As at date of report	1,825,000	36,835,278

The following table discloses the number of options and vested options outstanding as at December 31, 2019 and the date of the report:

Number of options	Vested ('000s)	Exercise price	Expiry Date
425,000	425,000	$ 0.20	January 23, 2022
1,400,000	700,000	0.10	May 1, 2024
1,825,000	1,125,000	0.12	

REGULATORY DISCLOSURES

Off-Balance Sheet Arrangements

As at the date of this report, the Company did not have any off-balance sheet arrangements.

Proposed Transactions

The Company does not have any proposed transactions as at December 31, 2019 and the date of the report, other than as disclosed elsewhere in this document.

Related Party Transactions

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

1. Salaries and employee benefits of $nil (2018 – $465,584) were paid to key management personnel. $254,162 were paid to former management, which is the change of control payment as part of the NSight transaction .

2. The Company paid remuneration for management services to two companies controlled by the CEO and CFO respectively totaling $88,500 (2018 - $103,800).

3. The company granted 1,400,000 (2018- nil) stock options to its officers and directors.

As at December 31, 2019 the Company had amounts payable of $501 (December 31, 2018 - $12,712) to these parties which has been included in accounts payable.

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

Financial Instruments

	December 31, 2019 $	December 31, 2018 $
Financial Assets		
Amortized cost:		
Cash	269,928	212,246
Short-term investment	5,001,000	
Interest receivable	84,800	96,799
Lease receivables	379,832	-
Financial Liabilities		
Amortized cost:		
Accounts payable and accrued liabilities	209,145	442,252
Lease liability	352,273	-

Fair Value

The carrying value of cash, accounts receivable and accounts payable and accrued liabilities approximates the fair value because of the short-term of these instruments.

Financial Risk Management

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. As at December 31, 2019, the Company's maximum exposure to credit risk is in the carrying value of its cash and short-term investment. The Company limits its exposure to credit loss by placing its cash and short-term investments with high credit quality financial institutions.

Currency Risk

The functional currency of RSI is the Canadian dollar. As at December 31, 2019, most of the foreign currency risk is related to US dollar funds held in bank US$124,463 (December 31, 2018 - US$37,630), accounts receivable $nil (December 31, 2018 - $62,587) and accounts payable $nil (December 31, 2018 - $61,416) denominated in US dollar. Therefore, the Consolidated Statements of Operations and Comprehensive Income (Loss) is impacted by fluctuations in the valuation of the US dollar in relation to the Canadian dollar.

The Company does not hedge its exposure to currency fluctuations. The Company has completed a sensitivity analysis to estimate the impact that a change in foreign exchange rates would have on the net loss of the Company, based on the Company's financial instruments in US dollar as at year end. This sensitivity analysis shows that a change of +/- 10% in US$ foreign exchange rate would have a +/- $16,165 (2018 - +/- $5,293) impact on the Consolidated Statements of Operations and Comprehensive Income (Loss).

Interest Rate Risk

The Company is only subject to interest rate risk on its short-term investment balance in the bank and there is unlikely to be a material impact on Consolidated Statements of Operations and Comprehensive Income (Loss).

Liquidity Risk

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

As at December 31, 2019, the Company had total payable in the amount of $209,145 due within 12 months (December 31, 2018 - $442,252). As at December 31, 2019, the Company held cash and short-term investment of $5,270,928 (December 31, 2018 - $212,246).

The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves to meet its liquidity requirements at any point in time. With the current cash balance and working capital position, management expects it is sufficient to meet the Company's liquidity requirements.

Management of Capital

The Company's objectives in managing capital are to ensure sufficient liquidity to pursue its strategy of growth combined with strategic acquisitions and to provide returns to its shareholders. RSI defines capital that it manages as the aggregate of its shareholders' equity, which is comprised of issued capital, contributed surplus and deficit. The Company manages its capital structure and makes adjustments to it in light of general economic conditions, the risk characteristics of the underlying assets and the Company's working capital requirements. In order to maintain or adjust its capital structure, the Company, upon approval from its Board of Directors, may issue shares, issue debt, pay dividends or undertake other activities as deemed appropriate under the specific circumstances.

The Company 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. As of September 30, 2019 and December 31, 2018, the Company had a $nil balance relating to this line of credit.

The Company was not subject to any other externally imposed capital requirements as at December 31, 2019. The Company's overall strategy with respect to management of capital at December 31, 2019 remains fundamentally unchanged from the year ended December 31, 2018.

Significant Accounting Policies

Please refer to audited consolidated financial statements for the year ended December 31, 2019 which was filed on SEDAR.

Risk and uncertainties

COVID-19

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

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 price 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.

Disclosure controls and procedures

Current securities policies in Canada require that management of the Company assess the effectiveness of the Company's disclosure controls and procedures at period ends. Management has concluded that the disclosure controls as at December 31, 2019 were effective in ensuring that all material information required to be filed had been effected in a timely manner, and that the information was recorded, processed and reported within the time period necessary to prepare the filings.

The Company continues to review and assess its internal control over financial reporting. There were no significant changes made to internal controls over financial reporting during the year ended December 31, 2019.

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, a sufficient stable and healthy global economic and business environment, and other factors contained in the section entitled "Risks and Uncertainties" in the MD&A for the year ended December 31, 2019. 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.