

RSI INTERNATIONAL SYSTEMS INC.

Management's Discussion and Analysis

Three months ended – March 31, 2021

(Expressed in Canadian dollars, unless otherwise noted)

May 26, 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 unaudited condensed interim consolidated financial statements for the three months ended March 31, 2021. 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 condensed interim 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 period ended March 31, 2021.

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, 2020 and 2019 are also referred to as "fiscal 2020" and "fiscal 2019", 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

Up until February 2019, 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 sold all of its operating assets to NSight Inc. in February 2019. The Company is currently a publicly traded shell company seeking transactions to increase shareholder value.

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.

COVID-19

Subsequent to year-end of 2019, 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.

HIGHLIGHTS – MARCH 31, 2021

Cash and short term investment (GIC) balance of \$5,013,772 as at March 31, 2021 (December 31, 2020 - \$5,039,226).

SUMMARY OF CONSOLIDATED INCOME (LOSS)

Three months ended March 31,	2021	2020
EBITDA	(9,796)	(31,474)
Interest and bank charges	(1,059)	(367)
Net income (loss) and comprehensive income (loss)	(10,855)	(31,841)
Basic/Diluted earnings (loss) per share	(0.00)	(0.00)

Three months ended March 31,	2021	2020
Stock-based compensation	-	(12,900)
Operating costs	(10,855)	(15,340)
Business development & travel	-	(4,375)
Lease accretion gain, net	-	774
Total recovery (expenses)	(10,855)	(31,841)
Net income (loss) and comprehensive income (loss)	(10,855)	(31,841)
Basic/Diluted earnings (loss) per share	(0.00)	(0.00)

The Company incurred a net loss of \$10,855, which was lower loss than the comparative period in 2020. This was mainly driven by less operating costs due to the Company's cost cutting initiatives to preserve cash.

Stock based compensation

Stock based compensation expense of \$nil was lower than the comparative period in 2020, as all stock options were vested in the current period.

Business development & travel, and foreign exchange

Business development, travel was reduced to \$nil in the current period as the Company is continuously looking for cost cutting initiatives to improve cash flow. Travel activities also reduced significantly due to Covid pandemic.

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. As the lease and sublease contracts were exactly matched, the accretion cost in the current period is \$nil.

Consolidated quarterly loss – 8 quarters historic trend

	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
EBITDA	(9,796)	(65,146)	(33,747)	(24,486)	(31,474)	(79,978)	(15,299)	(70,294)
Interests and bank charges	(1,059)	(840)	(679)	(2,962)	(367)	(317)	(366)	(1,113)
Total comprehensive gain (loss)	(10,855)	(65,986)	(34,426)	(27,448)	(31,841)	(80,295)	(15,665)	(71,407)
Basic/Diluted earnings (loss) per share	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Total assets	\$ 5,251,772	5,309,454	\$ 5,405,078	\$ 5,544,375	5,710,651	\$ 5,880,097	\$ 5,829,856	\$ 5,874,109

Three months ended March 31, 2021 vs. previous quarters in 2020 and 2019

EBITDA and net loss was lower than all historic quarters due to timing differences of expenses, nil stock based compensation expenses in current quarter and Company's cost cutting initiatives to preserve cash.

Interest and bank charges were slightly higher due to the level of normal banking activities.

Change in total assets

As at March 31, 2021, the total assets is approximately \$5.25 million. Total assets slowly decrease due to general corporate expenditures.

LIQUIDITY AND CAPITAL RESOURCES

	Three months ended March 31,	
	2021	2020
Cash inflow (outflow) from operating activities	\$ (25,454)	\$ 46,365
Cash inflow (outflow) from investing activities	-	(80,949)
Cash inflow (outflow) from financing activities	-	(41,901)
Net cash flows	(25,454)	(76,485)
Cash balance	\$ 4,155	\$ 193,443

	March 31, 2021	March 31, 2020
Cash balance	\$ 4,155	\$ 193,443
Short term investment – GIC	5,080,866	5,109,617
Total cash and short term investments	5,085,021	5,303,060

As at March 31, 2021, the Company's net working capital was \$5,066,825 (December 31, 2020 - \$5,077,680), which was lower than December 31, 2020 due to general corporate expenditures.

Cash inflow from operating activities was lower for the period ended March 31, 2021 mainly due to collection of less interest receivables from the short term investments (GIC).

Cash outflow from investing activities in the current quarter is \$nil. \$80,949 cash outflow of Q1 2020 was the net impact of sublease proceeds received and reinvestment of short term investment (GIC). In the current quarter, the Company's sublessee paid its landlord directly. This resulted no cash impact to the Company related to the lease and sublease.

Cash outflow from financing activities in the current quarter was \$nil. The outflow for Q1 2020 was related to lease payments for company's office space, which is subleased (see investing activities for sublease proceeds received). In the current quarter, the Company's sublessee paid its landlord directly. This resulted no cash impact to the Company related to the lease and sublease.

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 2021.

SHAREHOLDERS' EQUITY

As at March 31, 2021 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 March 31, 2021	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 March 31, 2021 and date of this report:

Number of options	Vested ('000s)	Exercise price	Expiry Date
425,000	425,000	\$ 0.20	January 23, 2022
1,400,000	1,400,000	0.10	May 1, 2024
1,825,000	1,825,000	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 March 31, 2021 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. The Company paid remuneration for management services to a company controlled by the CEO totaling \$9,450 (2020 - \$9,000).

2. The Company paid remuneration for management services to a company controlled by the CFO totaling \$9,450 (2020 - \$9,000).

As at March 31, 2021 the Company had amounts payable of \$3,399 (December 31, 2020 - \$10,705) 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

	March 31, 2021	December 31, 2020
	\$	\$
Financial Assets		
Amortized cost:		
Cash	4,155	29,609
Short-term investment	5,080,866	5,009,617
Interest receivable	765	56,131
Lease receivables	128,763	174,606
Financial Liabilities		
Amortized cost:		
Accounts payable and accrued liabilities	56,184	57,168
Lease liability	128,763	174,606

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 March 31, 2021, 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 March 31, 2020, most of the foreign currency risk is related to US dollar funds held in bank US\$1,004 (December 31, 2020 - US\$15,155), accounts receivable \$nil (December 31, 2020 - \$nil) and accounts payable \$nil (December 31, 2020 - \$nil) 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 +/- \$122 (2020 - +/- \$1,916) 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 March 31, 2020, the Company had total payable in the amount of \$56,184 due within 12 months (December 31, 2020 - \$57,168). As at March 31, 2021, the Company held cash and short-term investment of \$5,080,866 (December 31, 2020 - \$5,009,617).

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

Significant Accounting Policies

Please refer to unaudited interim financial statements for the period ended March 31, 2021 and audited consolidated financial statements for the year ended December 31, 2020 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 March 31, 2021 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 period ended March 31, 2021.

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 period ended March 31, 2021. 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.