

MANAGEMENT DISCUSSION AND ANALYSIS

RewardStream Solutions Inc. ("RewardStream" or the "Company")

Three month period ended December 31, 2016

Dated – February 28, 2017

This management's discussion and analysis (MD&A) was prepared in accordance with National Instrument 51-102, Continuous Disclosure Obligations, and should be read in conjunction with the audited financial statements and accompanying notes for the year ended September 30, 2016 and with the condensed interim financial statements for the three months ended December 31, 2016. These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and are reported in Canadian dollars.

Certain information included in this MD&A contains forward-looking statements or forward-looking information within the meaning of applicable Canadian securities laws, including, without limitation, in respect of the Company's priorities, plans and strategies and the Company's anticipated financial and operating performance and prospects. All statements and information, other than statements of historical fact, included in or incorporated by reference into this MD&A are forward-looking statements and forward-looking information, including, without limitation, statements regarding activities, events or developments that we expect or anticipate may occur in the future. Such forward-looking statements and information can be identified by the use of forward-looking words such as "will", "expect", "intend", "plan", "estimate", "anticipate", "believe" or "continue" or similar words and expressions or the negative thereof. There can be no assurance that the plans, intentions or expectations upon which such forward-looking statements and information are based will occur or, even if they do occur, will result in the performance, events or results expected.

We caution readers of this MD&A not to place undue reliance on forward-looking statements and information contained herein, which are not a guarantee of performance, events or results and are subject to a number of risks, uncertainties and other factors that could cause actual performance, events or results to differ materially from those expressed or implied by such forward-looking statements and information. These factors include: the Company's ability to raise additional financing through debt, equity or other form of financing; the ability to retain or add customers, complete product development plans, retain key staff; changes in priorities, plans, strategies and prospects; general economic, industry, business and market conditions; changes in law; the ability to implement business plans and strategies, and to pursue business opportunities; rulings by courts or arbitrators, proceedings and investigations; disruptions or changes in the credit or securities markets; inflationary pressures; challenges such as lawsuits, to the intellectual property of the Company; and various other events, conditions or circumstances that could disrupt RewardStream's priorities, plans, strategies and prospects. Readers are cautioned that all forward-looking statements and information involve risks and uncertainties. RewardStream undertakes no obligation to publicly release the results of any revisions to forward-looking statements and information that may be made to reflect events or circumstances after the above-stated date or to reflect the occurrence of unanticipated events.

OVERVIEW

RewardStream is a provider of Software as a Service (“SaaS”) marketing technology through its Spark System (the “Spark System”) product. The Spark System allows RewardStream’s clients to operate marketing programs that acquire, engage, optimize, and retain customers and sales channels. The Spark System lets marketers combine all types of referrals, such as email, mobile, social or word-of-mouth, with a powerful mix of software, promotion, and management tools into customer acquisition strategies. The Spark System makes it fast and easy for companies to engage and convert customers, activate employees, and mobilize brand influencers to spread the word about offers to friends and family.

The Company was incorporated under the laws of British Columbia on March 23, 1999 and continued under the Canada Business Corporations Act on December 22, 1999. RewardStream continued to a British Columbia Corporation under the Business Corporations Act (British Columbia) and changed its name to RewardStream Solutions Inc. on October 22, 2015.

On July 28, 2016, the Company completed an amalgamation with Musgrove Minerals Corp. (“Musgrove”) a publicly traded company on the TSX Venture Exchange (the “Exchange”), to form a single amalgamated company (the “Amalgamation”). In connection with the Amalgamation, Musgrove completed a private placement, in two tranches, for gross proceeds of \$2.028 million. 20,000,004 common shares of the Company were exchanged for the 12,813,235 outstanding common shares of private company, RewardStream. The shareholders of Musgrove received 15,151,659 shares of the Company for the 30,303,365 outstanding common shares of Musgrove. 233,555 warrants of the Company were exchanged for the 149,715 outstanding warrants of the private company, RewardStream. The warrant holders of Musgrove received 4,427,370 warrants of the Company for the 8,854,740 outstanding warrants of Musgrove. RewardStream cancelled all outstanding stock options on Amalgamation and Musgrove had no options outstanding immediately prior to the Amalgamation. On August 4, 2016, the Company commenced trading on the Exchange under the symbol REW.

NEW DIRECTION

Over the past 12 months, RewardStream has shifted its business model from primarily a one-time sale – the Source Code business segment - and professional services model - Loyalty business segment - to a higher margin, scalable, recurring, SaaS model – Referral business segment. The Company believes that the SaaS business model is more sustainable and has greater potential for growth and profitability. A SaaS business model has more predictable revenues with the ability to increase customers and revenue with a lower relative fixed cost resulting in higher margins. Salesforce.com (NYSE: CRM), Hubspot (NYSE: HUBS), and Marketo are all examples of SaaS businesses in the sales and marketing industries. For the 12 months ending December 31, 2016, revenue for the Referral business segment has increased by 13% compared to the same 12 month period in the prior year. See figure 1 below.

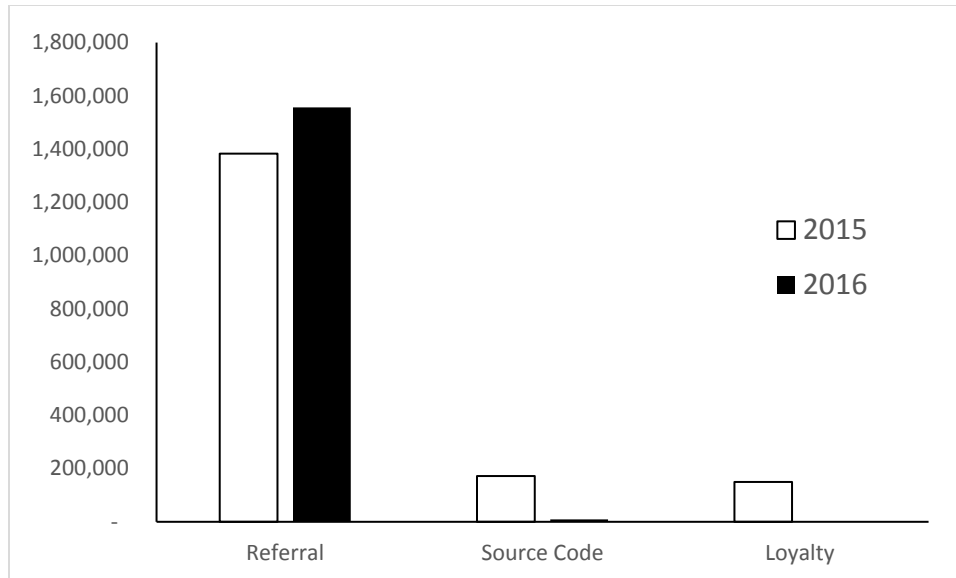


Figure 1 - Revenue by segment: 12 months trailing December 31

RewardStream’s management believes that significant growth can occur through integration of the Spark product with existing e-Commerce, marketing automation, and membership management systems. These systems currently serve millions of existing customers. For example, the largest 5 e-Commerce platforms provide online store solutions for well over 3 million businesses around the world, and integrations with these platforms can make the RewardStream system available to these businesses. These customers can benefit by having RewardStream’s platform available to them as an add-on to their current platform. The Company has completed integrations into 3 e-commerce platforms - Magento, Woo Commerce, and Shopify. The number of e-commerce customers registered for RewardStream’s platform has doubled in the quarter ended December 31, 2016 compared to the year end. RewardStream intends to continue to pursue these integrations and benefit from the distribution channels that are available on these platforms.

Part of the use of proceeds from the Amalgamation is to expand marketing and sales efforts, scale product and support functions with the intention of increasing revenues and becoming profitable. The SaaS approach coupled with the expansion into new markets, such as e-commerce, is expected to shorten the sales cycle, lower the costs of customer acquisition, increase recurring revenue and margins. The additional funds from the Amalgamation have begun to impact the ability for the Company to accelerate its sales and marketing efforts. For example, in the first quarter ended December 31, 2016, the Company has closed nearly 3 times the number of new customer contracts compared to the prior year. See figure 2 below. Despite the increase in closed customer contracts, the lower revenue for the current quarter partially reflects the Company’s focus on a higher volume, lower revenue customer. The Company expects that the higher volume of customers will, in due course, result in an increase in revenue.

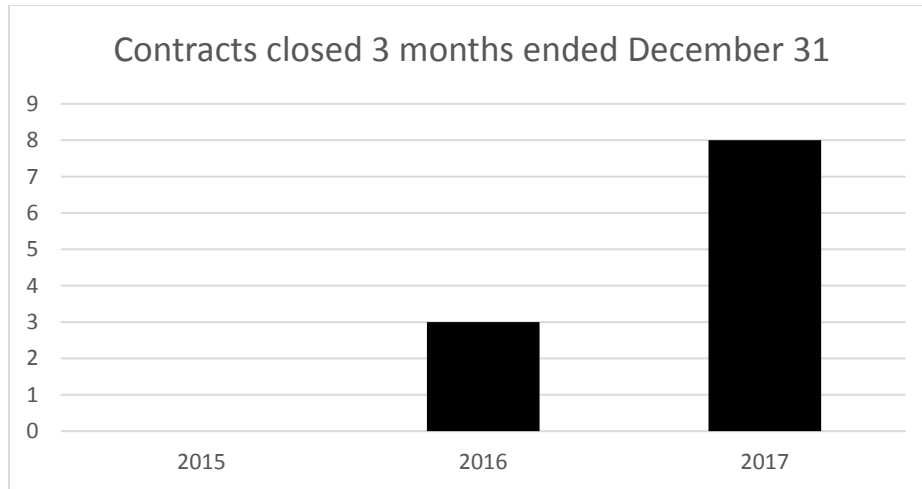


Figure 2 - # of contracts closed in the first quarter of past 3 fiscal years

COMPANY HIGHLIGHTS

In the first quarter of fiscal 2017, the Company completed the following objectives:

- Signed first European customer
- Completed major software infrastructure and architecture improvements. These improvements provided new product features for clients, and are expected to reduce costs and allow greater capacity for customer growth
- Implemented lead generation campaigns directed at e-commerce businesses

MAIN PERFORMANCE INDICATORS

Management considers that the main indicators of the Company's performance are the following: revenue, gross profit, net and comprehensive income/loss, EBITDA and adjusted EBITDA. EBITDA and Adjusted EBITDA are provided as a supplementary earnings measure to assist readers in determining the ability of the Company to generate cash from operations and to cover financial charges. They are also widely used for business valuation purposes. These measures do not have a standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. EBITDA is defined as earnings before interest, income taxes, depreciation and amortization. Adjusted EBITDA is defined as EBITDA to which the Company adds stock-based compensation and other one-time items that do not impact cash flows of the Company. The Company believes that EBITDA and adjusted EBITDA are a means to better communicate the results of operations that are more reflective of cash flows.

OVERALL PERFORMANCE

Revenues have decreased 18% to \$359,919 for the three months ended December 31 in 2016 compared to \$436,309 for the same period in 2015. Cost of sales have decreased by 15% to \$147,143 in the three months ended December 31, 2016 from \$173,367 in the same period in 2015. Gross profit decreased by 19% to \$212,776 from \$262,942 for three months ended 2016 and 2015, respectively.

Operating expenses decreased by \$233,903 or 23% in three months ended December 31, 2016 compared to the same period in 2015.

Net and comprehensive loss decreased by \$206,532 or 27%, EBITDA increased by 26% or \$193,836, Adjusted EBITDA decreased by \$365,086 in the three months ended December 31, 2016 compared to the same period in 2015.

Total assets decreased by \$716,963 and working capital decreased by \$532,393 during the three months ended December 31, 2016.

	For the three months ended:	
	December 31, 2016 (unaudited)	December 31, 2015 (unaudited)
Revenue	359,919	436,309
Gross profit	212,776	262,942
Net loss and comprehensive loss	(555,791)	(762,323)
EBITDA	(543,637)	(737,473)
Adjusted EBITDA	(526,608)	(161,522)
Basic and diluted loss per share	(0.01)	(0.07)

Reconciliation of EBITDA and adjusted EBITDA

	For the three months ended:	
	December 31, 2016	December 31, 2015
Net and comprehensive loss	(555,791)	(762,323)
Finance expense	4,788	22,581
Depreciation	7,366	2,269
EBITDA	(543,637)	(737,473)
Foreign exchange	(6,896)	(1,894)
Share-based compensation	23,925	577,845
Adjusted EBITDA	(526,608)	(161,522)

Revenues

Revenue decreased by \$76,390 in the three months ended December 31, 2016 compared to the same period in 2015. The decrease in revenue compared to the same period of the prior year is partially due to the ending of the Loyalty and Source Code business segments. In addition, there was over \$50,000 of one time revenue such as launch fees for the period ending December 31, 2015. The launch fees represented the initiation of 4 new programs to telecommunication customers in that period; two of whom were major telecommunication companies in Canada.

Gross profit and cost of sales

The Company's cost of sales decreased by over \$26,000 and its gross profit decreased by over \$50,000 in the three months ended December 31, 2016 compared to the same period in the prior year. The decrease in gross profit is due to the decrease in revenue as discussed above. The cost of sales has declined due to the Company reducing its fixed costs such as salaries and hosting expenses for the quarter ending December 31, 2016. The Company reduced these costs by over \$27,000 in the three months ended December 31, 2016 compared to the same period in the prior year. These fixed costs were able to be reduced due to the lower overhead required to manage the Referral business segment compared to the Loyalty and Source Code segments.

Operating expenses

Operating expenses decreased during the three months ended December 31, 2016 by \$233,903 compared to the same period in 2015. A significant reason for the decline in operating expenses was due to the decrease in share-based expenses of over \$550,000. The share-based compensation expense for the period ended December 31, 2015 was mainly due to the Company exchanging 2,154,500 stock options for 767,286 common shares of the Company to certain stock option holders. There was an increase of over \$174,000 of sales and marketing expenses for the three months ended December 31, 2016 compared to the same period in the prior year. This increase was mainly due to the expenditures the Company made to raise awareness of its products and services. Expenses on Research and Development ("R&D") are net of projected tax credits. The projected tax credits are accrued during the year based on management's estimates of amounts that are expected to be received. Management adjusts these estimates throughout the year. The recording of the type of tax credit that reduces R&D expenses can only be claimed as a private company. Due to the Amalgamation, the Company could only claim this type of tax credit until the date of the Amalgamation and thus was not able to claim this tax credit for the period ended December 31, 2016. This accounts for the appearance of relatively low R&D expenses for the 3 months ended December 31, 2015, when this type of tax credit was claimable. R&D expenditures in the 3 months ended December 31, 2016, without considering the effect of the tax credits, were \$114,356 compared to \$133,521 for the same period in the prior year. The reduction in expenses reflects the reduction in product management resources for the Referral product during this period. The Company had an increase in general and administrative expenses of over \$39,000 in the period ended December 31, 2016 compared to the same period in 2015. This increase was related to fees and travel costs related to the Company seeking business development opportunities in Europe.

Net and comprehensive loss

During the three months ended December 31, 2016 the net and comprehensive loss decreased by \$206,532 compared to same period in the prior year. The reason for this is primarily due to the decline in share-based compensation expenses as discussed above.

EBITDA

EBITDA increased by \$193,836 in the period compared to the same period in the prior year. Again, the main reason for this is due to the decline in share-based compensation expenses as discussed above.

Adjusted EBITDA

Adjusted EBITDA decreased by \$365,086 during the three months ended December 31, 2016 compared to the same period in the prior year. This change reflects the decrease in revenue and gross margin with the increase in operating expenses described above.

Assets

The Company's assets declined by \$716,963 during the three months ended December 31, 2016. The change in assets was partially a result of a reduction in the investment tax credits receivable, which was due to the receipt of this tax credit in cash in the period. The other main contributor to the reduction in assets was the decrease in cash which was applied to the expenses and accounts payable for the Company.

INTERIM QUARTERLY HIGHLIGHTS

For the quarter ended:	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016
Revenue	359,919	375,493	424,498	405,660
Gross profit	212,776	234,206	260,409	215,813
Net and comprehensive loss	(555,791)	(2,837,414)	(830,598)	(288,348)
Loss per share - basic and diluted	(0.01)	(0.09)	(0.07)	(0.03)
Weighted average number of shares - basic and diluted	38,657,069	30,678,082	12,107,100	11,479,863

For the quarter ended:	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015
Revenue	436,309	370,236	427,542	470,356
Gross profit	262,942	212,875	239,045	288,408
Net and comprehensive loss	(762,323)	(2,103,484)	(228,875)	(288,588)
Loss per share - basic and diluted	(0.07)	(0.23)	(0.03)	(0.04)
Weighted average number of shares - basic and diluted	10,820,683	8,952,794	8,137,577	8,137,577

LIQUIDITY

Liquidity is the risk of the Company not being able to meet its financial obligations as they become due. The Company manages its liquidity risk through budgeting, ongoing management and forecasting of operating cash flows, reviews of trade receivables, management of cash, and use of equity financings when appropriate.

The Company is primarily reliant on payment from customers to meet its financial obligations. The Company extends credit to its customers by typically allowing payment terms of 30 days on issuance of an invoice. There are risks that a customer will not pay within these terms or at all. Delayed or default of

payment by customers may make it difficult for the Company to meet its financial obligations. One of the methods the Company uses to mitigate this risk, is to negotiate similar payment terms with its suppliers. The Company also sells its services to customers in US dollars, but the majority of the Company's expenses are in Canadian dollars. Thus the Company is subject to the risks associated with the changes of the value of the Canadian dollar relative to the US dollar.

To further manage liquidity, the Company has engaged in short-term borrowing. The Company currently has an outstanding loan with a related party. The terms of these loans are disclosed more fully in the Company's financial statements. The Company expects to repay this loan in due course.

As at December 31, 2016, the Company had cash of \$378,164 and accounts receivable of \$156,333 as compared to a cash balance of \$645,058 and accounts receivable of \$245,804 at September 30, 2016. The Company's current liabilities at December 31, 2016 were \$314,536 and at September 30, 2016 were \$496,580. The reduction in current liabilities was due to payment of professional fees related to the Amalgamation, payment of \$50,000 of the related party loan and payment of a contractor for the leasehold improvements for the Company's new premises. The latter expenditure was funded by a leasehold improvement allowance from the owner of the Company's new premises that was in accounts receivable at September 30, 2016. At December 31, 2016, the Company's working capital was \$286,642 and it had a working capital ratio of 1.91 compared to September 30, 2016, where the Company's working capital was \$819,035 and it had a working capital ratio of 2.65. The Company is continuing to focus on growth and fund activities such as sales and marketing that, it anticipates, will expand the market for its products and services and increase revenue. The Company expects that this focus on growth, in the near term, will cause expenses to exceed gross profit. This will result in a decline in working capital until the Company is able to achieve sufficient revenue and gross profit growth to reach positive cash flow. Therefore, the Company will be dependent on outside financing to continue operations until it is able to achieve positive cash flow. The Company has historically been able to secure financing from outside parties (see above). However, there is no guarantee that cash generated from external financing or operations will be sufficient to sustain the Company's operations for the foreseeable future. In order to maintain sufficient liquidity, the Company may be required to issue additional shares, incur more debt or reduce operating costs.

COMMITMENTS

The Company leases its premises and certain equipment under long-term leases. The leases expire between 2017 and 2021. The Company sub-leases a portion of its premises to offset rental costs. The minimum annual lease commitments during the next five years are:

2017	\$182,460
2018	238,837
2019	244,062
2020	244,062
2021	252,252
	<hr/>
	\$1,161,673

RELATED PARTY TRANSACTIONS

During the three months ended December 31, 2016 and the comparative period in the prior year, the Company was charged the following by officers and directors of the Company:

Three months ended December 31	2016	2015
Wages and benefits	\$208,462	\$187,372
Share-based compensation	137,499	10,364
	<u>\$345,961</u>	<u>\$197,736</u>

The increase in wages and benefits reflects the transition of some of the senior officers of the Company from part-time to full-time for the three months ended December 31, 2016 compared to the prior year. The increase in share-based compensation is due to the vesting of the stock options issued on September 7, 2016.

FINANCIAL INSTRUMENTS

The type and nature of financial instruments are disclosed in the condensed interim financial statements of the Company. All of these financial instruments are currently reported at their carrying value as the Company believes that this approximates their fair value due to their short-term nature. As discussed in the condensed interim financial statements, the Company is exposed to certain risks associated with these financial instruments. These include credit, liquidity and market risk. The Company does not anticipate any significant credit risk with its customers as it has not had any default on payment from any of its customers. Therefore, it has not recorded any allowance for bad debt. Liquidity risk and its management has been previously discussed above (see Liquidity). Market risk includes interest rate and foreign currency risk. Due to the short-term nature of its borrowing, the Company does not believe that it is exposed to significant interest rate risk and has therefore, not undertaken any action to mitigate this risk. As mentioned above, the Company is exposed to foreign currency risk as it relates to the US and Canadian dollar. To mitigate this risk, the Company actively monitors the exchange rate of these two currencies and consults with experts in foreign currency. The Company has not historically used foreign currency contracts to mitigate this risk. However, should the need arise, the Company will consider the use of such contracts. The changes in foreign currency with respects to the financial instruments are recorded in the Company's condensed interim statement of comprehensive loss under foreign exchange gain.

DISCLOSURE OF OUTSTANDING SHARE DATA

As at December 31, 2016, the Company had 38,657,069 common shares, 4,660,925 warrants and 3,588,333 stock options. Conversion of these warrants and stock options would result in 46,906,327 outstanding common shares.

SUBSEQUENT EVENTS

On February 1, 2017, the board of directors of the Company approved the grant of 200,000 options to a consultant to the Company. The warrants had an exercise price of \$0.185 and an expiry date of February 1, 2020. As of the date of the MD&A, conversion of warrants and stock options would result in 47,106,327 outstanding common shares.