

MANAGEMENT DISCUSSION AND ANALYSIS

RewardStream Solutions Inc. (“RewardStream” or the “Company”)

Nine month period ended June 30, 2018

Dated – August 29, 2018

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, 2017 and with the unaudited condensed interim financial statements for the nine months ended June 30, 2018. 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”). On August 4, 2016, the Company commenced trading on the Exchange under the symbol REW.

On June 15, 2018, the Company sold its wholly-owned subsidiary, RewardStream Solutions NA Inc. (“RSNA”) to Buyapowa Ltd. (see Sale of Subsidiary on page 7).

RSNA was incorporated on December 13, 2017.

RewardStream management believes that significant revenue growth can occur through integration of the Spark System with e-Commerce platforms such as Shopify and Magento because this sector is ideal for marketing automation systems. E-commerce platforms serve millions of existing customers. For example, the largest 5 e-Commerce platforms provide online store solutions for over 2 million businesses around the world. These e-commerce platforms can benefit by having the Spark System integrate with their current system. RewardStream intends to pursue these types of integrations and benefit from the distribution channels that are available on these platforms. The Company has completed integrations into 3 e-commerce platforms - Magento, Woo Commerce, and Shopify. The Company’s referral product is currently in over 100 e-commerce stores.

COMPANY HIGHLIGHTS

In the third quarter of fiscal 2018, the Company completed the following:

- Sold over \$40,000 in contracts to new customers;
- Recognized \$92,628 gain on sale of subsidiary;
- Completed a financing of \$3,250,000; and
- Adjusted expenses to reflect the operational requirements of the business.

MANAGEMENT CHANGES

On August 17, 2018, Rob Goehring resigned from the board of directors and as the chief executive officer of the Company. In his place, Patrick C.T. Morris was appointed as interim president and a director to the board.

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 by 18% to \$894,541 for the nine months ended June 30, 2018 compared to \$1,090,413 for the same period in 2017. Revenues decreased by 18% to \$313,671 for the three months ended June 30, 2018 compared to \$381,066 for the same period in 2017. Cost of sales have decreased by 26% to \$270,211 in the nine months ended June 30, 2018 from \$367,280 in the same period in 2017. Cost of sales decreased by 20% or \$20,883 for the three months ended June 30, 2018 compared to the three months ended June 30, 2017. Gross profit decreased by 14% to \$624,330 from \$723,133 for nine months ended 2018 and 2017, respectively. Gross profit decreased by 17% to \$229,330 for the three months ended June 30, 2018 compared to \$275,842 for the same period in the prior year.

Operating expenses decreased by \$56,040 or 2% in nine months ended June 30, 2018 compared to the same period in 2017. Operating expenses increased by \$297,268 or 35% for the three months ended June 30, 2018, compared to the three months ended June 30, 2017.

Net and comprehensive loss decreased by \$54,115 or 3%, EBITDA decreased by 3% or \$50,312, Adjusted EBITDA increased by \$114,756 or 8% in the nine months ended June 30, 2018 compared to the same period in 2017. In the three months ended June 30, 2018, net and comprehensive loss increased by \$247,608 or 42%, EBITDA increased by 44% or \$252,250 and Adjusted EBITDA increased by \$393,280 or 76% compared to the three months ended June 30, 2017.

Total assets increased by \$1,328,259 or 380% and working capital increased by \$1,598,302 for the nine months ended June 30, 2018.

	For the three months ended		For the nine months ended	
	June 30, 2018 (unaudited) \$	June 30, 2017 (unaudited) \$	June 30, 2018 (unaudited) \$	June 30, 2017 (unaudited) \$
Revenue	313,671	381,066	894,541	1,090,413
Gross profit	229,330	275,842	624,330	723,133
Net loss and comprehensive loss	(832,198)	(584,590)	(1,519,547)	(1,573,662)
EBITDA	(826,849)	(574,599)	(1,491,222)	(1,541,534)
Adjusted EBITDA	(907,947)	(514,667)	(1,543,579)	(1,428,823)
Basic and diluted loss per share	(0.05)	(0.15)	(0.18)	(0.40)

Reconciliation of EBITDA and adjusted EBITDA

	For the three months ended		For the nine months ended	
	June 30, 2018 \$	June 30, 2017 \$	June 30, 2018 \$	June 30, 2017 \$
Net loss and comprehensive loss	(832,198)	(584,590)	(1,519,547)	(1,573,662)
Interest	820	2,625	10,210	10,029
Depreciation	4,529	7,366	18,115	22,099
EBITDA	(826,849)	(574,599)	(1,491,222)	(1,541,534)
Foreign exchange loss (gain)	2,143	3,882	(1,145)	3,286
Gain on sale of subsidiary	(92,628)	-	(92,628)	-
Share-based compensation	9,387	56,050	41,416	109,425
Adjusted EBITDA	(907,947)	(514,667)	(1,543,579)	(1,428,823)

Revenues

Revenue decreased by 18% or \$195,872 in the nine months ended June 30, 2018 and \$67,395 or 18% in the three months ended June 30, 2018 compared to the same respective periods in 2017. The decrease in revenue compared to the same period of the prior year is due to the loss of a customer in this period.

Gross profit and cost of sales

The Company's cost of sales decreased by \$97,069 or by 26% and its gross profit decreased by 14% or by \$98,803 in the nine months ended June 30, 2018 compared to the same period in 2017. In the three months ended June 30, 2018, cost of sales decreased by 20% and gross profit decreased by 17% or \$46,512 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, license and hosting expenses for the period ending June 30, 2018. The Company reduced these costs by \$85,000 in the nine months ended June 30, 2018 compared to the same period in the prior year.

Operating expenses

Operating expenses decreased during the nine months ended June 30, 2018 by \$56,040 compared to the same period in 2017. Sales and marketing expenses declined by nearly \$506,000 due to the reduction of consultants in this area. The Company reduced its research and development expenses by nearly \$212,000 by reducing staff in this area. The Company reduced spending in the above two areas due the challenges of raising capital to fund operations. The Company's general and administrative expenses increased by over \$734,223 during the nine months ended June 30, 2018. This was due to the Company incurring legal expenses during the current period that were not incurred in the prior period. During the three months ended June 30, 2018, operating expenses increased by \$297,268 compared to the same three month period in 2017. Sales and marketing expenses decreased by nearly \$300,000 and research and development expenses by nearly \$72,000 compared to the same period in 2017. The Company's general and administrative expenses increased by over \$719,000 during the three months ended June 30, 2018.

Net and comprehensive loss

During the nine months ended June 30, 2018 the net loss and comprehensive loss decreased by \$54,115 compared to same period in 2017. The Company's net loss and comprehensive loss increased by \$247,608 during the three months ended June 30, 2018 compared to the same period in 2017. The net loss and comprehensive loss change for both the three and nine month periods were due to the net changes in the factors as described above.

EBITDA

EBITDA decreased by \$50,312 and increased by \$252,250 during the nine and three months ended June 30, 2018, respectively, compared to the same periods in the prior year. The main reason for this is due to the respective decline and increase in operating expenses as discussed above.

Adjusted EBITDA

Adjusted EBITDA increased by \$114,756 and \$393,280 during the nine and three months ended June 30, 2018, respectively, compared to the same periods in the prior year. This change reflects the increase in operating expenses described above.

Assets

The Company's assets increased by \$1,328,259 during the nine months ended June 30, 2018. The change in assets was mainly due to the recognition of certain prepaid expenses and the increase of cash due to the completion of private placement during the period.

INTERIM QUARTERLY HIGHLIGHTS

	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017
For the quarter ended:				
Revenue	\$ 313,671	\$ 289,304	\$ 291,566	\$ 270,582
Gross profit	229,330	196,044	198,956	175,407
Net and comprehensive loss	(832,198)	(373,911)	(313,439)	(783,739)
Loss per share - basic and diluted*	\$ (0.05)	\$ (0.08)	\$ (0.06)	\$ (0.16)
Weighted average number of shares*	15,147,958	4,983,124	4,983,124	4,772,564

	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016
For the quarter ended:				
Revenue	\$ 381,066	\$ 349,427	\$ 359,920	\$ 375,493
Gross profit	275,842	234,514	212,777	234,206
Net and comprehensive loss	(584,590)	(433,272)	(555,794)	(2,832,237)
Loss per share - basic and diluted*	\$ (0.15)	\$ (0.11)	\$ (0.14)	\$ (0.92)
Weighted average number of shares*	3,913,383	3,913,383	3,865,707	3,067,808

* Effective January 29, 2018, the Company completed a consolidation of its issued and outstanding shares on the basis of one new common share for every ten old common shares. All share and loss per share amounts have been restated to retrospectively reflect this consolidation.

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 outstanding loans with a related party and other 3rd party lenders. The terms of these loans are disclosed more fully in the Company's financial statements. The Company expects to repay these loans in due course.

As at June 30, 2018, the Company had cash of \$957,287 and accounts receivable of \$195,584 as compared to a cash balance of \$68,598 and accounts receivable of \$75,887 at September 30, 2017. The Company's current liabilities at June 30, 2018 were \$60,562 and at September 30, 2017 were \$331,644. The decrease in current liabilities was mainly due to the sale of subsidiary. At June 30, 2018, the Company's working capital was \$1,598,302 and it had a working capital ratio of 2,739% compared to September 30, 2017, where the Company's working capital deficit was \$107,830 and it had a working capital ratio of 67%. Until the Company is able to achieve sufficient revenue and gross profit growth to reach positive cash flow it 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 further reduce operating costs.

COMMITMENTS

The Company leases its premises and certain equipment under long-term leases. The leases expire between 2018 and 2022. The Company sub-leases a portion of its premises to offset rental costs. The minimum annual lease commitments during the next five years are:

2018	\$	61,202
2019		244,062
2020		244,062
2021		252,252
2022		60,606
	\$	862,184

RELATED PARTY TRANSACTIONS

During the nine months ended June 30, 2018 and the comparative period in the prior year, the Company was charged the following by officers and directors of the Company:

	2018	2017
Wages and benefits	\$ 653,876	\$ 599,692
Consulting fees	21,684	11,255
Share-based compensation	29,905	78,930
	<u>\$ 705,465</u>	<u>\$ 689,877</u>

SALE OF SUBSIDIARY

RewardStream Solutions NA Inc. ("RSNA") is a wholly-owned subsidiary of the Company that was incorporated on December 13, 2017.

On June 15, 2018, the Company completed the transfer of all of the assets and liabilities of its referral and reward business to RSNA through an asset purchase agreement.

On June 15, 2018, the Company entered into a purchase and sale agreement with Buyapowa Ltd. ("Buyapowa") wherein the Company sold to Buyapowa all the issued and outstanding shares in the capital of RSNA in consideration for a cash payment of \$150,000 (remained receivable as at June 30, 2018) and sliding-scale royalty payment based on license fees received from existing and active RSNA customers. The royalty commences at a 15% rate for an initial 11-month period and decreases over time, resulting in a perpetual 1% royalty after a period of 47 months.

Purchase consideration	\$	150,000
Cash		40,276
Accounts receivable		136,994
Prepaid expenses and deposits		23,642
Equipment and leasehold improvements		88,676
Accounts payable and accrued liabilities		(47,905)
Other current liabilities		(95,216)
Finance lease obligation		(892)
Deferred revenue		(32,755)
Lease improvement allowance		(55,448)
Net assets sold		57,372
Gain on sale of subsidiary	\$	92,628

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

Effective January 29, 2018, the Company completed a consolidation of its issued and outstanding shares on the basis of one new common share for every ten old common shares. All share and share equivalent amounts have been restated to retrospectively reflect this consolidation. As at June 30, 2018, the Company had 17,483,123 common shares, 14,384,773 warrants and 264,000 stock options. Conversion of these warrants and stock options would result in 32,131,896 outstanding common shares.

SUBSEQUENT EVENT

On August 17, 2018, Rob Goehring resigned from the board of directors and as the chief executive officer of the Company. In his place, Patrick C.T. Morris was appointed as interim president and a director to the board.