



**2020** Management's Discussion & Analysis

**Q1** Three months ended March 31, 2020

This Management's Discussion and Analysis is dated May 15, 2020.

## INTRODUCTION

This MD&A of the results of operations, cash flows and financial position as at and for the three months ended March 31, 2020 should be read in conjunction with the unaudited, condensed interim financial statements and accompanying notes for the three months ended March 31, 2019 and the audited consolidated financial statements and notes thereto for the year ended December 31, 2019 and ten month fiscal period ended December 31, 2018. The financial statements and additional Company information are available to view on [www.sedar.com](http://www.sedar.com). References in this MD&A to "OneSoft", the "Company", "OSS", "us", "we", and "our" mean OneSoft Solutions Inc. and its subsidiaries, unless the context otherwise suggests.

The Company's consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and include the accounts of OneSoft and its wholly owned subsidiaries: OneBridge Solutions Inc., OneBridge Solutions Canada Inc. (together, "OneBridge") and OneCloudCo Limited. On January 1, 2020, CloudCo Solutions Inc. and OneBridge Solutions Inc. were statutorily amalgamated to form OneBridge Solutions Canada Inc. On January 1, 2020, OneCloudCo Inc. acquired OneBridge Solutions Inc from OneSoft Solutions Inc.

OneSoft's shares trade on the TSX Venture Exchange in Canada, under the symbol "OSS", and are listed on the OTCQB market in the USA, under the symbol "OSSIF".

This MD&A contains forward-looking information based on certain expectations, projections and assumptions. This information is subject to many risks and uncertainties, many of which are beyond the Company's control. Users of this information are cautioned that actual results may differ materially. Readers are directed to the "Risks and Uncertainties" on page 10 of this document and to the "Advisory Regarding Forward Looking Information" on page 14.

## NON-IFRS MEASUREMENTS

The Company defines Adjusted EBITDA as earnings before interest, income taxes, stock option expense, depreciation, amortization and impairment charges. Readers are cautioned that Adjusted EBITDA should not be construed as an alternative to comprehensive income or loss as determined in accordance with IFRS. A table on page 14 reconciles Adjusted EBITDA with comprehensive income or loss. Management uses Adjusted EBITDA as a measure of cash generation in its budgeting and financial reporting processes, recognizing that it does not reflect working capital and other balance sheet changes.

Cash from operations is defined as cash flows from operating activities before changes in the balances of working capital accounts.

## Q1 2020 HIGHLIGHTS

### Cash and Revenue

- Total revenue for the quarter ended March 31, 2020 ("Q1 2020") was \$1,675,486, a 183% increase over revenue of \$592,302 in the comparative quarter of the prior year. Revenue categories (as defined in "Revenue Detail" below) consisted of \$1,616,267 of annual recurring revenue ("ARR") and \$59,219 of Other Revenue, representing increases of 180% and 284%, respectively, over the comparative quarter.
- The Company reported Comprehensive income of \$10,609 for the current quarter, compared to a Comprehensive loss of \$967,391 for the comparable period in the prior year.
- Q1 2020 adjusted positive EBITDA was \$250,478, compared to negative EBITDA of \$669,729 for the comparable period in the prior year (EBITDA calculations are stated on page 14 of this document).
- As at March 31, 2020, cash and short-term investments totaled \$9.7 million (\$10.5 million at December 31, 2019) and working capital was \$8.6 million (\$8.2 million at December 31, 2019) and the Company had no debt.

### Revenue Detail

- OneSoft tracks revenues in three categories and various buckets, as was described on pages 9-10 of the Company's Management Discussion and Analysis (["MD&A" for the fiscal year ended December 31, 2019](#)).
  - ARR includes revenue from SaaS Subscription, ILI Log Ingestion, Microsoft Azure and Specialized Functionality Module fees associated with the Company's Cognitive Integrity Management™ ("CIM") SaaS solution.
  - Other Revenue includes Proof of Concept ("POC"), Services and One-time Project fees, which do not typically reoccur (the table below highlights \$3.0 million of software development project revenue reported in PE Dec 31/18).
  - There was no software development project revenue in the current or comparative quarters.

- The following table summarizes some of the key financial revenue metrics followed by Management, with comparisons to prior periods, as described in the December 31, 2019 MD&A referenced above.

OneSoft SaaS Metrics	Q1 2020	Q1 2019	YE Dec 31/19	PE Dec 31/18
Revenue as reported in the Financial Statements	\$ 1,675,486	\$ 592,302	\$ 2,711,768	\$ 4,327,845
Revenue categorization:				
Annual Recurring Revenue ("ARR")	\$ 1,616,267	\$ 576,879	\$ 2,460,330	\$ 1,093,690
Other Revenue	\$ 59,219	\$ 15,422	\$ 251,438	\$ 214,665
Software development project revenue	\$ -	\$ -	\$ -	\$ 3,019,500
Total Revenue	\$ 1,675,486	\$ 592,301	\$ 2,711,768	\$ 4,327,855
Direct Costs	\$ 341,542	\$ 79,865	\$ 701,739	\$ 185,183
Direct Costs as % of ARR and Other Revenue	20%	13%	26%	14%
Gross profit as % of ARR and Other Revenue	80%	87%	74%	86%
ARR as % of Total Revenue	96%	97%	91%	25%
ARR Growth (Qtr / Qtr, Year / Year)	180%	174%	125%	21%

### Operational Activities

- On [February 13, 2020](#), the Company announced its Innovation Lab to collaborate with Microsoft [[NASDAQ:MSFT](#)], oil and gas ("O&G") pipeline operators and select industry vendors. Innovation Lab, which is separate from the Company's core operations, seeks to fast-track the creation and scaling of new ideas to advance digital transformation agendas through the Company's revolutionary machine learning and data science technology using Microsoft's Azure cloud computing platform and services. We are now investigating various potential business development alternatives with certain clients, prospective customers and industry experts and vendors, which may result in future joint initiatives that broaden the Company's CIM functionality, intellectual property ("IP") and total addressable market ("TAM") potential.
- On [February 18, 2020](#), the Company announced the appointment of a senior O&G industry veteran as its new VP Sales, who will lead sales and marketing activities focused on senior personnel of our clients who typically drive digital transformation initiatives within their organizations.
- On [February 24, 2020](#), the Company attended [PPIM 2020](#), the industry's primary annual forum devoted exclusively to pigging for maintenance and inspection, pipeline integrity evaluation and repair, and presented ([see video](#)) a white paper profiling *Statistical Analysis of Dig Operations* to pipeline industry professionals. This [white paper](#) documents the high value proposition of utilizing CIM to improve *Repair Fraction* effectiveness by optimizing dig selection criteria as part of integrity management processes.
- The Company essentially completed the on-boarding processes in Q1 2020 for the new clients who adopted CIM in 2019, which contributed \$0.709 million of revenue and reduced deferred revenue by the same amount.
- Regarding product development, the Company continued to advance its SaaS products, IP and competitive moat during the quarter, including development of functionality that is considered foundational for future new products that we anticipate will address the segments of O&G pipeline infrastructure that are managed using Direct Assessment processes (rather than through collection of ILI data).
- The Company continued to engage in various POCs with potential new clients in Q1 2020, which were in various stages of progress but not completed at the quarter end. The Company's sales funnel is increasing and remains robust, with sales activities currently underway involving prospective new clients that collectively operate more than 100,000 miles of pipeline infrastructure.

### Corporate Activities

- On [March 3, 2020](#), the Company presented at the third annual LD Micro Virtual Conference, an on-line forum for microcap investors. Additionally, Management held numerous meetings with investors, potential investors and followers of the Company.
- On March 25, 2020 The Company published its MD&A, Financial Statements and annual report for the year ended December 31, 2019, all of which are accessible on [SEDAR](#).

## BUSINESS OUTLOOK

### ***Business Disruption Due to Covid-19***

The extent of future potential business disruption due to Covid-19 cannot be known with any degree of certainty. At this point in time and given the information we have today, Management anticipates that business will be disrupted for at least part of 2020, but not overly threatening to the Company's longer-term business and outlook. The Company has experienced minimal disruptions to our operations as employees have worked remotely since 2015. Although our current clients are benefitting from our cloud solution, certain prospective customers have been affected while reorganizing their operations in response to Covid-19. We intend to closely monitor the situation and adjust to changing events as they unfold. Notwithstanding Management's optimism in this regard, readers are encouraged to review the "Risks and Uncertainties" section on page 10 of this document.

We believe that OneSoft is well-positioned to deal with unusual business disruption due to Covid-19. Most of our clients and prospective customers that we are pursuing have implemented procedures to minimize negative impacts caused by travel restrictions and lack of usual access to people, data and other resources they require to operate their businesses. While face-to-face meetings have been restricted since early March, we are well positioned to conduct meetings using on-line and video conferencing tools. OneSoft has operated using a home-based employee working environment since 2015. We do not anticipate slow-down of product development or inability to service our clients, as our cloud-computing environment insulates us from the quarantine and disruptive work scenarios that have hampered businesses that depend on on-premise computing platforms and conventional office environments.

OneSoft had good sales momentum going into the [PPIM](#) conference in mid-February 2020, which involved exploration of potential CIM-associated POC, collaborative projects and other business development opportunities with several industry services providers, tool vendors and prospective customers. Covid-19 abruptly curbed this momentum commencing the last week of February, while businesses focused on transitioning their employees to work from home to meet Covid-19 quarantine requirements. Our sales and business development activities started to return to a new "near normal" in mid-April, after prospective customers transitioned their business activities to on-line.

Covid-19 disruptions have varied amongst our clients and prospective customers. Our clients who had implemented our cloud computing solutions before the pandemic were more easily able to transition from conventional office to home working environments with minimal disruption. This contrasts with many of our prospective customers who encountered more difficulty in transitioning their employees to work from home-based environments. Interestingly, we believe that Covid-19 may be a catalyst for future sales because some of our prospective customers now have a new appreciation for cloud computing and digital strategies that empower their employees to access critical data on-line using any web-connected device, especially while working remotely. We believe that this disruption will ultimately bolster OneSoft's future opportunities, as prospective customers that have been abruptly forced to embrace digital methodologies will likely not be willing to return to legacy practices post pandemic.

OneSoft is amongst the minority of companies that continues to recruit new employees during the pandemic. We are currently seeing an increased talent pool of highly qualified data scientists and software developers due to the pandemic causing termination of projects and freeing up talent that we are seeking.

Although we've encountered some delays in signing new clients, we anticipate that sales activities proceeding under the "new normal" conditions will ultimately be successful. Although timing is unknown and not in our control, we expect to complete new sales in 2020.

### ***Potential Business Disruption Due to O&G Price Decline***

With respect to the recently depressed oil prices, our clients are midstream pipeline operators that transport oil and gas products. These companies typically operate pursuant to long term contractual commitments based on fixed fee pricing for transporting products rather than pricing that fluctuates with the price of oil or gas. Product throughput must continue regardless of O&G pricing volatility and operators must continue to maintain their pipeline infrastructure to meet regulatory compliance, making efficiencies gained from digital transformation strategies more compelling. Unlike other sectors of the O&G industry where capital and operating expenditure budgets are more closely linked with the price of oil and gas, we anticipate little disruption to our business because of volatile commodity pricing.

### ***Regulatory Influence on OneSoft Sales***

The global O&G pipeline infrastructure continues to age, and regulatory compliance for U.S. operators in particular, where OneSoft is currently focusing sales efforts, is becoming more stringent as mandated by the U.S. regulator, the Pipeline and Hazardous Materials Administration ("[PHMSA](#)"). We believe that existing regulatory and revised compliance requirements that will apply in the future are becoming more opportunistic for OneSoft. The new "[Mega Rule](#)" was scheduled to take effect on July 1, 2020 but some requirements were relaxed to [December 31, 2020](#) in response to Covid-19 disruptions. The Mega Rule mandates, amongst other requirements, that pipeline operators adopt more sophisticated ILI data management and analysis

capabilities, which is squarely in CIM's sweet spot to address. More pipeline infrastructure will need to be operated within federal compliance standards in the future, including requirements to adopt ILI data analyses for these pipelines. Additionally, certain pipeline inspection and maintenance standards and operating guidelines pertaining to ILI data management and analysis that were only recommended practices in the past will become mandatory to maintain regulatory operational compliance in the future.

We believe that our CIM platform is uniquely positioned to allow OneSoft to capitalize on future opportunities within the O&G pipeline industry because of three primary factors:

1. We have first mover advantage, having developed and commercialized the first innovative solution using machine learning and advanced data science to address industry and regulatory requirements. We are not aware of any competitive machine learning application that has been developed or commercialized to date, world-wide. Our investigations at PPIM 2020 failed to uncover any direct competitors.
2. CIM has received strong validations from major industry players that have thoroughly tested and onboarded our solution. Although disclosure of these clients is generally not permitted due to confidentiality terms we agreed to, the OneBridge/CIM capability is becoming well known within the industry due to exposure by our clients to peer companies at various industry events that continue to occur.
3. Adoption of CIM to replace legacy technology and processes is highly compelling to potential customers, as CIM functionality is constantly being enhanced to address escalating operational compliance requirements and assists industry players to meet their objective of reducing pipeline failures and operating costs, while also saving lives and injuries, protecting the environment and regaining social license necessary to install new pipelines.

#### ***Pursuit of New Visions and Opportunities Through OneBridge Innovation Lab***

We announced the [Innovation Lab](#) this past February to collaborate with clients, prospective customers and industry experts and vendors to leverage the Company's data science, machine learning and predictive analytics models in pursuit of new visions and opportunities. We are investigating projects with several third parties with the objective of advancing them to a POC stage, and potentially to full product development and commercialization stages as warranted. Projects currently under investigation include:

1. Collaboration with certain ILI tool vendors to advance digital transformation processes that optimize workflows involving ILI data collection and analysis. These processes seek to automate multiple tasks currently done manually by tool vendor and pipeline operator personnel. Our vision is to change current practices to provide CIM access to the ILI tool vendors to enable consideration of clients' historic data for planning of new ILI runs and then allow ILI vendors to upload data from the new ILI runs directly into CIM. Currently, these process steps are conducted manually by pipeline operator and tool vendor personnel, typically over the course of weeks or months. By automating this process, we believe the outcomes of the new ILI data runs will be more accurate and result in increased operational efficiencies and greatly reduced timelines, from weeks or months to days at a reduced cost.
2. Collaborative efforts to convert specialized engineering expertise that is currently applied manually into software functionality modules that integrate with the CIM platform. We believe that machine learning offers significant efficiencies compared to human manual efforts.
3. Integration of additional data sets such as those collected by internet of things ("IOT") devices (e.g. pressure and flow sensors) and internal corrosion measurement tools, which machine learning algorithms can analyse in real-time to improve mitigation response times for internal corrosion events.
4. Investigation regarding adaptation of OneSoft's technology and solutions for use in industries other than O&G (e.g., water & sewer and rail transit industries).

#### ***Prescriptive vs. Performance Integrity Management Methodologies***

All O&G industry projects under investigation in the Innovation Lab will consider future PHMSA regulatory requirements and align with the industry's objective to evolve from "prescriptive" to "performance" based data analytics. For example, in the absence of sophisticated data analysis, current compliance regulations mandate prescriptive operational guidelines that force operators to use arbitrary, worst-case indications of anomaly growth to establish intervals between successive ILI assessments – e.g., "half-life" or "6 millimeter" benchmarks as the basis to determine and justify excavation and repair decisions.

Performance-based integrity management, which is the next-generation objective of the industry, requires more sophisticated data management and analysis solutions like CIM, and promotes flexibility, innovation, and compliance for operators under the new rules. Data-driven risk assessments and analyses can prevent failures through smarter inspection scheduling, more effective inspection tools, earlier anomaly detection, and determination of more efficient excavation and repair programs. And as outlined

in OneSoft’s [Repair Fraction](#) white paper, performance-based methodologies can significantly reduce maintenance and repair costs for operators.

**Increasing Potential TAM Opportunities**

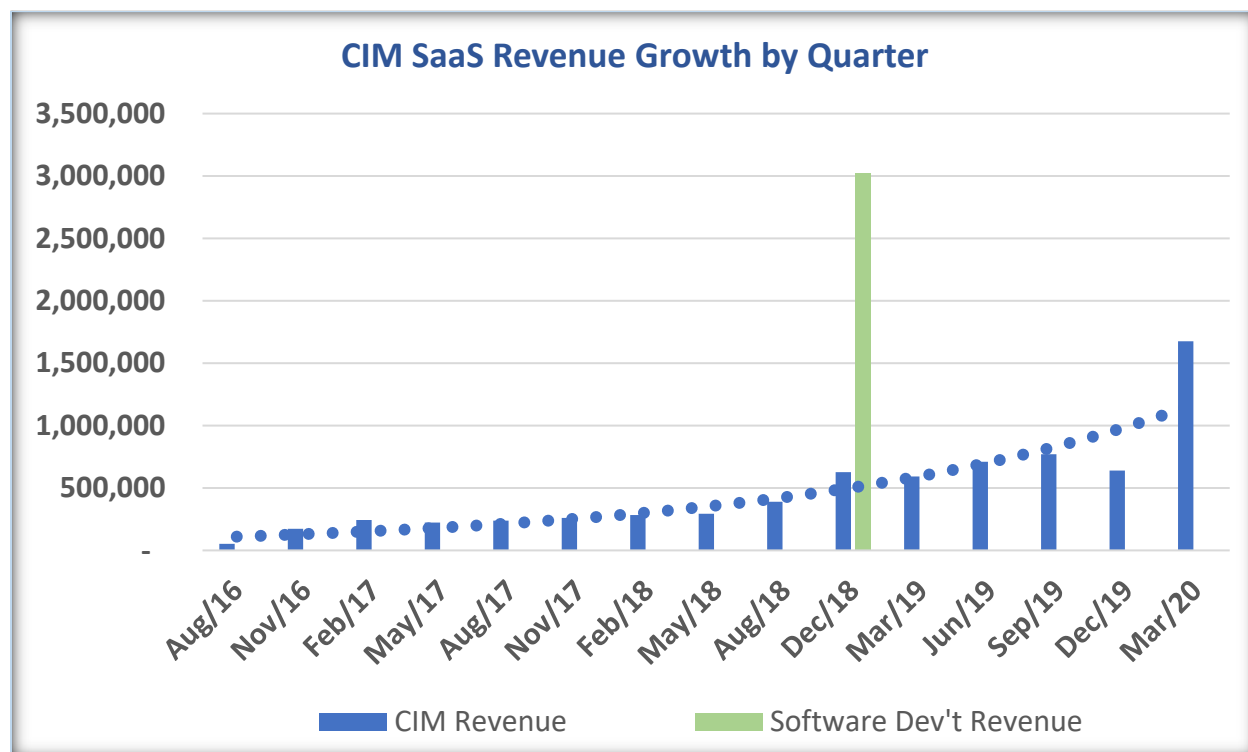
One of the key factors we consider in selecting the Innovation Lab projects is potential to increase the Company’s TAM (which characterize all the projects currently under consideration). The first three projects discussed above represent additional functionality modules to the CIM platform, which we anticipate can generate incremental revenues once they are commercialized. The last project discussed, if successful, will launch OneSoft technology into new industries that likely represent large TAM opportunities.

**Sales and Revenue**

Our highest priority in 2020 is to sign new clients using our “land and expand” growth strategy, as this effort will serve to increase our aggregation of data, refinement of our algorithms through each iteration using new data, and thereby expand our foundation and opportunity to increase future revenues. At this point in time, Management anticipates that ARR will double in 2020 over 2019, as a result of some current clients increasing use of our solutions by on-boarding their regional affiliate operations, and through addition of new clients.

The following chart summarizes revenue growth of the Company since inception of the CIM solution. The blue bars represent ARR and Other Revenue by quarter. The green bar represents Software Development Project Revenue, associated with the last major development project completed by the Company in 2018. (Note: The chart in the Q1 2020 Highlights section above explains these revenue buckets.)

We anticipate that quarterly revenue growth over the next year or two will continue to be somewhat “lumpy”, as a result of clients loading historical ILI data logs during their initial 12 to 18 months of CIM use. We also anticipate that cost of sales ratios, net income and adjusted EBITDA will also fluctuate, accordingly. As current clients evolve to more normalized second and subsequent year CIM consumption, and as the amount of ILI data ingestion increases with on-boarding of more new clients, we anticipate that quarterly financial metrics may become more consistent and predictable over time. Management believes that the blue dotted line in the graph, which indicates the revenue trend for ARR, is currently a reasonable indicator of future revenue growth. Although the Innovation Lab may contribute revenue from certain one-time development projects Management’s key objective is to focus on growing ARR, as we believe this metric is a key factor used in determining the value of SaaS companies.



**Research and Development (“R&D”)**

Based on our investigations at PPIM in February 2020, we believe that we currently have no direct competitors for our machine learning, cloud-based solutions. R&D projects to maintain our technological lead and competitive moat continue to progress, to

develop new modules for our CIM platform and increase our footprint of functionality that will support pipeline operators' requirements and initiatives as they pursue digital transformation strategies and prepare for increased regulatory compliance in future years.

Our Innovation Lab is structured to investigate new projects and develop prototype solutions to address opportunities that are discovered. Following successful execution of these steps within the Innovation Lab, and provided they have compelling market opportunities, these Innovation Lab projects will then be merged into OneSoft's technology roadmap for further development and commercialization.

One of our important initiatives is to continue to aggregate big data to advance our algorithms, increase our database of learnings and investigate potential new alternatives to monetize such learnings.

#### Corporate Development and Outlook

The recent decline in the Company's share price may have been caused by some combination of Covid-19 disruption, the decrease in global petroleum product prices and the perceived negative effect on the pipeline industry. Management will continue to operate the business with a strong focus on increasing shareholder value, advancing the Company's intellectual property and addressing the multiple factors that we believe enhance SaaS company valuations.

We will continue to improve Company awareness and our investment opportunity by increasing our participation in various on-line investor and industry conferences, road show events (when those become practical to resume) and other initiatives that target Canadian and U.S. investors, particularly with those who have specific interest in microcap companies that focus on artificial intelligence, machine learning, SaaS, and environmental, social and governance themes.

Given the Company's strong balance sheet with \$9.7 million of cash and short-term investments, no debt, current cash burn rate and strong sales pipeline, we believe the Company is well-funded to pursue our business and strategies, with no requirement to raise additional capital.

## RESULTS OF OPERATIONS

### SUMMARY OF QUARTERLY RESULTS

	Q1 2020	Year ended December 31, 2019				FY 2018		
(\$ 000's, per Share in Dollars)	Mar 31	31-Dec	Sept 30	June 30	Mar 31	Dec 31**	Nov 30	Aug 31
Revenue	1,675	640	770	710	592	3,137	509	389
Gross profit	1,334	383	582	533	512	3,132	394	337
Expenses (net of software development costs capitalized )	1,226	1,356	1,071	992	1,183	602	1,135	1,051
Comprehensive (loss) income	11	(1,117)	(664)	(836)	(967)	2,529	(738)	(729)
Basic and diluted (loss) income per share:	-	(0.01)	(0.01)	(0.01)	(0.01)	0.03	(0.01)	(0.01)

\*\* Represents results for month of December 31, 2018 only. The Company changed its year-end in in 2018 from February month-end to December 31, resulting in December being only one month in length. December 2018 revenue includes \$3.0 million software development project completed December 2018.

### Quarter ended March 31, 2020 compared to Quarter ended March 31, 2018

#### Revenue and Gross Profit

	March 31, 2020	March 31, 2019	Change	
	\$	\$	\$	%
Recurring revenue	1,616,267	576,880	1,039,387	180.2
Other revenue	59,219	15,422	43,797	284.0
<b>Total Revenue</b>	<b>1,675,486</b>	<b>592,302</b>	<b>1,083,184</b>	<b>182.9</b>
Direct costs	341,542	79,865	261,677	327.6
<b>Gross profit</b>	<b>1,333,944</b>	<b>512,437</b>	<b>821,507</b>	<b>160.3</b>
Gross margin	79.6%	86.5%	-6.9%	(7.98)

Revenue increased by \$1,083,184 (183%) year over year for the quarter primarily because the Company completed the initial implementation of CIM for a large (19,000 mile) client who ingested a large number of historical and new ILI data sets during this period, which also generated associated support services revenue. Other clients' revenue was similar to last year with the

exception of one client whose revenue declined year over year due to a new owner reallocating pipeline integrity management responsibility to other divisions for sections of pipelines managed under CIM last year. Although several POCs progressed through various stages of completion, no revenue was earned in respect of these and no new contracts were finalized during the quarter.

Direct costs rose in the current quarter by \$261,677 over Q1 of last year because of higher costs associated with higher revenue, including a \$144,790 increase in staff salaries allocation associated with implementation and on-boarding of the large client to direct costs. Software royalty expense and Azure fees increased by \$70,081 and \$46,825, respectively, over Q1 last year due to higher volumes of ILI data ingestion and CIM consumption by clients this year.

The increases in direct costs resulted in a gross margin of 79.6% of revenue for the current quarter, compared to gross margins of 86.5% for Q1 last year and 74.1% for the fiscal year ended December 31, 2019.

**Expenses:**

	March 31, 2020	March 31, 2019	Change	
	\$	\$	\$	%
Salaries and employee benefits	912,957	813,459	99,498	12.2
Sales and marketing	138,691	195,677	(56,986)	(29.1)
General and administration	174,604	173,730	874	0.5
Operating expenses, net of costs capitalized	<b>1,226,252</b>	<b>1,182,866</b>	<b>43,386</b>	<b>3.7</b>

Salaries and employee benefits expense increased by \$232,448 in the current quarter due to increases in the number of Company employees, including the hiring of a senior sales executive, increasing the Company's offshore development subcontractor team, and salary increases for current employees granted last year. Offsetting this increase was a higher allocation of staff salaries to direct costs, due to several staff being fully engaged in the large CIM implementation project conducted in the quarter, which reduced costs by \$144,790.

In March 2019, the Company recorded the final invoice from a third-party consultant assisting to improve the effectiveness of our sales processes. As there was no similar expense this period, sales and marketing expense reduced by \$50,759. On a year over year comparative basis, costs in the current quarter for trade show attendance and sales travel visiting prospective clients decreased by \$6,070 and \$6,623, respectively, and the Company expensed \$11,363 to update the OneBridge website.

There were several changes in general and administrative expense. In Q1 of 2019, a company-wide strategy planning meeting was held in Edmonton and due to the global pandemic, the same meeting was cancelled this year, generating a cost savings of \$33,500. The Company reduced its accrual for annual audit fees and legal expenses in Q1 2020 by \$8,590. In April 2019, the Company completed a financing which necessitated the Company to register with the securities commissions of several additional provinces. Annual participation fees related to those registrations increased costs this year by \$22,753. The Company's annual renewal insurance premiums increased this year by \$8,959 and increased use of the Microsoft Azure facilities for software development increased by \$9,557 this year compared to Q1 2019.

Although CIM is constantly undergoing development and enhancements, none of this software development qualified for cost capitalization during Q1 of both 2020 and 2019.

**Other expense (income):**

	March 31, 2020	March 31, 2019	Change	
	\$	\$	\$	%
Stock based compensation	165,146	152,355	12,791	8.4
Amortization of intangible assets	99,883	94,527	5,356	5.7
Depreciation of property and equipment	3,746	4,483	(737)	(16.4)
Interest income	(44,871)	(6,601)	(38,270)	100.0
Foreign exchange gain	(142,786)	(700)	(142,086)	100.0
	<b>81,118</b>	<b>244,064</b>	<b>(162,946)</b>	<b>(66.8)</b>

Stock compensation expense increased due to the grant of new stock options to the Company's capital markets and investor relations advisor in December 2019.

Amortization of intangible assets increased as the software development projects capitalized in prior periods are all commercially released.

Interest income increased in Q1 2020, resulting from investment in short-term, interest bearing certificates of the proceeds from the capital raise in April 2019. In Q1 2019, the Company's cash position was comparatively small, generated only nominal interest income.



The U.S. to Canadian foreign exchange rate rose from 1.2992 on December 31, 2019 to 1.4187 on March 31, 2020. As the Company was holding approximately US \$1.4 million in financial assets, the foreign currency translation adjustment on March 31, 2020 generated a large portion of the foreign exchange gain of \$142,786.

#### Net income (loss)

In the current quarter, revenue and gross profit increased by \$1,083,184 and \$821,507 respectively. The sum of other expense (income) declined by \$162,926 aided by the large foreign exchange gain. As expenses increased by only \$50,711, the Company recorded net income of \$26,574, an improvement of \$941,067 over the net loss of \$914,493 recorded in Q1 2019.

#### FINANCIAL CONDITION & LIQUIDITY

	March 31,	March 31,	Change	
	2020	2019	\$	%
	\$	\$	\$	%
Net income (loss)	26,574	(967,391)	993,965	(102.7)
Items not involving cash	268,775	251,366	17,409	6.9
Funds generated (used) in operations	295,349	(716,025)	1,011,374	(141.2)
Working capital changes	(1,303,324)	1,351,111	(2,654,435)	(196.5)
Cash provided by operating activities	(1,007,975)	635,086	(1,643,061)	(258.7)
Cash flow provided by financing activities	98,700	(8,503)	107,203	(1,260.8)
Cash flow used in investing activities	(4,467)	(7,004)	2,537	(36.2)
Effect of foreign exchange on cash and cash equivalents	76,628	-	76,628	100.0
Net change in cash	(837,114)	619,579	(1,456,693)	(235.1)
Cash and short-term investments, beginning of period	10,512,039	2,015,428	8,496,611	421.6
<b>Cash and short-term investments, end of period</b>	<b>9,674,925</b>	<b>2,635,007</b>	<b>7,039,918</b>	<b>267.2</b>
<b>Reconciliation of cash and short-term investments:</b>				
Cash and cash equivalents	7,891,437	2,635,007		
Short term investments	1,783,488	-		
Total cash and short term investments	<b>9,674,925</b>	<b>2,635,007</b>		

In the quarter ended March 31, 2020, the Company generated cash of \$295,349 from Operations due to the increased revenue, gross margin and large foreign exchange gain. Working capital changes consumed \$1,303,324 due to additional investment of \$504,760 in accounts receivable (of which \$190,000 was collected shortly after quarter-end) and revenue from the large CIM implementation project conducted during the quarter, which had been prepaid, being applied to reduce deferred revenue by \$815,748. Employees and directors exercised 870,000 stock options for an equal number of OneSoft common shares generating \$98,700. In total, the Company consumed \$837,114 cash in Q1 2020.

In this period last year, the Company consumed \$716,025 in operations. This was offset by the collection of some large accounts causing accounts receivable to reduce by \$1,648,915 allowing the Company to generate \$619,579 cash in the quarter.

The Company anticipates substantial further cash injection into working capital will not be required this year. Due to this, the Company's strong cash balance and sales pipeline, Management believes the Company has sufficient cash to continue development of its software solutions, finance operations and increase Company and shareholder value in accordance with its business plan.

#### Total Assets

Total assets of the Company as at March 31, 2020 were \$11,594,893 a decrease of \$349,210 from assets of \$11,944,103 as at December 31, 2019. Cash and short-term investments decreased \$837,114 due to cash being used to finance operations. Accounts receivable increased by \$535,913 as an invoice for a 2020 CIM contract was not due at period-end and monthly CIM usage fees due from a client were paid shortly after Q1 2020 quarter-end. Prepaid expense increased by \$50,373 as certain insurance and other fees had been prepaid and are being amortized over their benefit period. The carrying value of the Company's intangible assets and equipment decreased by \$98,382 primarily because of amortization.

#### Total Liabilities

Total liabilities decreased from \$2,146,620 as at December 31, 2019 to \$1,783,861 as at March 31, 2020. Deferred revenue increased by \$739,737 due to 2020 contracts for CIM usage being invoiced and it decreased \$1,465,005 as CIM usage was recognized in revenue. The increase in the U.S. dollar foreign exchange rate increased deferred revenue by \$16,144. Accounts payable increased by \$346,366 due to higher outstanding balances with vendors reflecting the increased business activity level.

### Commitment

The Company is committed to pay minimum royalties of US\$2.25 million through December 20, 2027 on the revenue earned from components of its CIM 3.0 solution for the use of certain embedded third-party intellectual property. To March 31, 2020, royalties of US\$177,834 have been expensed and US \$117,075 has been paid.

### Related party transactions

In the period, the Company expensed \$50,000 (March 31, 2019 - \$50,000) in respect of contractual management fees paid to a company owned by Dwayne Kushniruk, CEO. No other compensation was paid directly to him. On March 31, 2020, \$167,670 (December 31, 2019 - \$167,945) was due to related parties related to incentives and director and officer fees not paid at the end of the period.

### SHARE DATA

As at May 11, 2020, the Company had outstanding:

- 114,905,813 common shares,
- 8,205,001 stock options with an average strike price of \$0.37 and an average remaining life of 2.26 years. Of these, 6,605,007 are exercisable at an average strike price of \$0.32.

In the period January 1, 2020 to April 26, 2020, directors, officers, and employees exercised 1,965,000 stock options with strike prices of \$0.10 to \$0.21 and expiry dates of April 26, 2020 to July 28, 2020 to acquire the same number of common shares. Cash proceeds were \$215,200.

On April 25, 2020, 600,000 share purchase warrants with an average strike price of \$1.00 expired without exercise.

### RISKS AND UNCERTAINTIES

#### Covid-19 World Pandemic

The ongoing Covid-19 global pandemic, and actions taken by governmental authorities in response thereto has resulted in volatility in financial and commodity markets; an overall slowdown in the global economy; disruptions to global supply chains; reductions in trade volumes; temporary operational restrictions and restrictions on gatherings of individuals, business closures and travel bans. The global pandemic could cause interruptions in and to the Company's customers. The current decline in energy prices have significantly impacted the demand for petroleum products and related transportation services and exposes our customers to risk of a decline in transportation revenue. The full extent and impact of the Covid-19 pandemic is unknown at this time and the degree to which it may impact our business operations and financial results will depend on future developments, which are highly uncertain and cannot be predicted with any degree of confidence, including: the duration, severity and geographic spread of the Covid-19 virus; further actions that may be taken by governmental authorities, including in respect of travel restrictions and business disruptions; the effectiveness of actions taken to contain the virus and treat the disease; and how quickly and to what extent normal economic and operating conditions can resume. While to date there has been no material impact on the Company's operations, Management continues to assess the situation for adverse effects on its financial position (including possible impairment of the values ascribed to its intangible assets and goodwill), results of operations and cash flows.

#### Other Risks and Uncertainties

OneSoft is subject to business and economic risks. The reader is directed to page 19 of the [Management's Discussion and Analysis for the year ended December 31, 2019](#) for a full description of the risks and uncertainties the Company is subject to.

### FINANCIAL INSTRUMENTS

#### Financial instruments

#### Categories of financial instruments

The carrying amounts presented in the statement of financial position relate to the following categories of assets and liabilities:

	March 31, 2020	December 31, 2019
	\$	\$
<b>Financial assets</b>		
Loans and receivables		
Cash and short term investments	9,674,925	10,512,039
Trade and other receivables	588,862	52,949
	<u>10,263,787</u>	<u>10,564,988</u>
<b>Financial liabilities</b>		
Accounts payable and accrued liabilities	<u>853,107</u>	<u>767,647</u>

### Measurement of fair value

Due to their short-term nature, and liquidity of the Company's financial instruments, fair value approximates their carrying value.

### Financial instrument risks

#### Risk management objectives and policies

The Company is exposed to various risks in relation to financial instruments. The main types of risks are foreign currency risk, interest rate risk, credit risk and liquidity risk. The Company's risk management is coordinated at its headquarters, in close cooperation with the Board of Directors, and focuses on actively securing the Company's short to medium-term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

The Company does not actively engage in the trading of financial assets for speculative purposes. The Company is exposed to market risk through its use of financial instruments and specifically to currency risk, interest rate risk and certain other price risks, which result from both its operating and investing activities.

#### Foreign currency sensitivity

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company operates on an international basis and is subject to foreign exchange risk exposures arising from transactions denominated in foreign currencies. The Company's objective with respect to foreign exchange rate risk is to minimize the impact of the volatility related to financial assets and liabilities denominated in a foreign currency through effective cash flow management. The majority of the Company's revenue, and a large portion of its expenses, are transacted in US dollars.

The Company has a natural hedge to foreign exchange risk as the majority of its revenue and expenses are being transacted in foreign currency and the uncertainty of timing between collections and disbursements is managed by its ability to maintain cash balances in the currency and country of the Company's choice.

The Company had the following monetary assets and liabilities denominated in US dollars included in its financial statements.

	March 31, 2020	December 31, 2019
	\$ (USD)	\$ (USD)
Cash and short term investments	1,751,341	2,066,758
Trade and other receivables	402,792	30,967
Accounts payable and accrued liabilities	(192,333)	(165,421)
Total exposure	1,961,800	1,932,304

The following illustrates the sensitivity of profit and equity regarding the Company's financial assets and financial liabilities and the USD/CDN exchange rate.

It assumes a +/- 10% change of the \$/USD exchange rate for the year ended December 31, 2019 (period ended December 31, 2018 - 10%). This percentage was determined based on the average market volatility in the exchange rate in each reporting period. The sensitivity analysis is based on the Company's foreign currency financial instruments held at each reporting date and considers forward exchange contracts that offset effects from changes in currency exchange rates.

Strengthening or weakening of the Canadian dollar against the USD by 10% (December 31, 2018 - 10%) would have had the following applicable positive or negative impact on net (loss) income:

	Profit	Equity
	\$	\$
March 31, 2020	32,889	32,889
December 31, 2019	8,115	8,115

Exposures to foreign exchange rates vary during the year depending on the volume of international transactions. The analysis above is considered to be representative of the Company's exposure to currency risk.

#### Interest rate sensitivity

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Company's objective in managing interest rate risk is to monitor expected volatility in interest rates while also minimizing the Company's financing expense levels. Interest rate risk arises from fluctuations in interest rates and the related impact on the return earned on cash and cash equivalents. On an ongoing basis, management monitors changes in short term interest rates and considers longer term forecasts to assess the potential cash flow impact to the Company. The Company holds financial instruments which exposes it to interest rate risk. No financial instruments are held to mitigate that risk.

The following table illustrates the sensitivity of profit and equity to a reasonably possible change in interest rates of +/- 1% (December 31, 2019: +/- 1%). These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant. As of March 31, 2020, approximately 94.2% (December 31, 2019 – 92.8%) of the Company's cash balances were held in interest bearing bank balances and fixed interest rate GICs.

	<u>Profit</u>	<u>Equity</u>
	\$	\$
March 31, 2020	91,167	91,167
December 31, 2019	73,257	73,257

#### Credit risk analysis

Credit risk is the risk that a counterpart fails to discharge an obligation to the Company. The Company's maximum exposure to credit risk is limited to the carrying amount of financial assets recognized at the reporting date, as summarized below:

	<u>March 31, 2020</u>	<u>December 31, 2019</u>
	\$	\$
Classes of financial assets - carrying amounts:		
Cash and cash equivalents	7,891,437	6,965,916
Short-term investments	1,783,488	3,546,123
Trade and other receivables	588,862	52,949
Carrying amount	<u>10,263,787</u>	<u>10,564,988</u>

The Company continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The Company mitigates its credit risk by invoicing with short credit terms and actively collecting its accounts receivable. The Company is exposed to credit risk through its cash. The Company manages the credit risk associated with its cash by holding its funds with reputable financial institutions. Company policy forbids investment of cash and cash equivalents into any financial instrument where the principal may be at risk.

Customer accounts are closely monitored for the amount and age of balances outstanding. Due to its credit practices, the Company has recorded nominal bad debt expense over the last five years. The Company's customers primarily consist of very large pipeline operating companies who are considered to be of very good credit quality.

The Company's management considers its financial assets to be of very good credit quality and records an estimate of credit loss for any portion considered impaired.

The aging of accounts receivable was:

	<u>March 31, 2020</u>		
	<u>Gross trade and other receivables</u>	<u>Allowance for doubtful accounts</u>	<u>Net trade and other receivables</u>
	\$		\$
Current	473,649	-	473,649
Past due 30 to 90 days	115,213	-	115,213
Total	<u>588,862</u>	<u>-</u>	<u>588,862</u>
	<u>December 31, 2019</u>		
	<u>Gross trade and other receivables</u>	<u>Allowance for doubtful accounts</u>	<u>Net trade and other receivables</u>
	\$		\$
Current	35,481	-	35,481
Past due 30 to 60 days	17,468	-	17,468
Total	<u>52,949</u>	<u>-</u>	<u>52,949</u>

The Company reviews its trade receivables accounts regularly and an estimate of credit loss is recorded to reduce the accounts receivable to their expected realizable value when the account is determined not to be fully collectable. It is management's view that amounts outstanding from customers have no risk of not being collected.

**Liquidity risk analysis**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages this risk by regularly evaluating its liquid resources to fund its current and long-term obligations in a cost-effective manner.

The Company's exposure to liquidity risk is mitigated through its continued ability to sell subscriptions to use its software and services and the prompt collection of accounts receivable. The Company controls its liquidity risk by managing its cash and cash flows.

The Company's financial liabilities are short-term in nature and payment is due within one year. Financial liabilities outstanding were March 31, 2020 - \$853,107 (December 31, 2019 - \$767,647).

The Company considers cash flows from financial assets of \$10,263,787 (December 31, 2019 - \$10,564,988) in assessing and managing liquidity risk. The Company's existing cash resources and trade receivables exceed its current cash outflow requirements. Cash flows from trade and other receivables are contractually due within two months.

**CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES**

When preparing the consolidated financial statements, management makes estimates and assumptions about the measurement of assets, liabilities, income and expenses. Actual results could differ from the estimates and assumptions made by management and the differences between estimates and actual results may be material.

**Revenue and deferred revenue**

Revenue is recognized when the revenue recognition criteria expressed in its accounting policy for Revenue Recognition in the consolidated financial statements for the period ended March 31, 2020 have been met. Judgment may be required when allocating revenue or discounts on sales amongst the various elements in a sale involving multiple deliverables.

**Determination of functional currency**

The determination of functional currency is a matter of determining the primary economic environment in which an entity operates. IAS 21 "The Effect of Changes in Foreign Exchange Rates" sets out several factors to apply in making the determination of the functional currency; however, applying the factors in IAS 21 does not always result in a clear indication of functional currency. When IAS 21 factors indicate differing functional currencies within an entity, management uses judgment in the ultimate determination of that subsidiary's functional currency.

**Useful lives of depreciable assets**

Management reviews the useful lives of depreciable assets at each reporting date and estimates the expected future utility of the assets to the Company. Actual results may vary due to technical obsolescence, particularly for computer equipment.

**Stock based compensation**

The amount recognized for stock-based compensation is an estimated expense based on the Company's stock price, expected volatility, expected life and weighted average fair value.

**Business combinations and goodwill**

Business combinations are accounted for using the acquisition method. The cost of the business combination is measured as the aggregate of the consideration transferred, measured at the acquisition date at fair value. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognized at their fair values at the acquisition date. Acquisition costs incurred are expensed in the period in which they are incurred except for costs related to shares issued in conjunction with the business combination which are recorded as a deduction from share capital.

Goodwill is initially measured at the excess of the fair value of consideration transferred less the fair value of the net identifiable assets acquired and liabilities assumed. If this amount is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized immediately in the Consolidated Comprehensive Statement of Income (Loss). After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortized but is subject to an annual impairment test. Goodwill impairment is evaluated annually or more frequently, if events or changes in circumstances indicate that the asset might be impaired.

**CHANGES IN ACCOUNTING POLICIES**

No new Standards issued were issued and adopted by the Company in the current period:

**MEASURES NOT IN ACCORDANCE WITH IFRS**

The term Adjusted EBITDA does not have a standardized meaning under IFRS and therefore is unlikely to be comparable to similar measures presented by other companies. EBITDA represents earnings before interest, taxes, depreciation and amortization. OneSoft Solutions includes stock-based compensation and impairment charges as an adjustment to earnings in this measure and therefore refers to the measure as Adjusted EBITDA. Adjusted EBITDA is used by OneSoft as an indirect measure for operating

performance, and has targeted certain levels for it, as it is considered to be a significant factor in the success of this business. The following is a reconciliation of Adjusted EBITDA to net income (loss) for each of the annual periods presented in this MD&A.

	Three month ended March 31,	
	2020	2019
	\$	\$
Net income (loss)	26,574	(914,493)
Add (subtract):		
Depreciation and amortization	103,629	99,010
Stock based compensation	165,146	152,355
Interest income	(44,871)	(6,601)
Adjusted EBITDA	250,478	(669,729)

### ADVISORY REGARDING FORWARD LOOKING INFORMATION

This MD&A, the unaudited interim consolidated Financial Statements for the three months ended March 31, 2020, the audited consolidated Financial Statements for the year ended December 31, 2019 and the audited consolidated Financial Statements dated December 31, 2018 (the "2020 Reporting Documents") contain historical information, descriptions of current circumstances and statements about potential future developments and anticipated financial results, performance or achievements of the Company. The latter statements, which are forward-looking statements, are presented to provide guidance to the reader but their accuracy depends on assumptions and are subject to various known and unknown risks and uncertainties. Forward-looking statements are included under the headings: "Highlights of the Three Months ended March 31, 2020", "Outlook", "Subsequent to Period-End", "Financial Condition and Liquidity" and "Risks and Uncertainties" and in other sections of this MD&A. When used in the MD&A, such statements may contain such words as "may," "will," "intend," "should," "expect," "believe," "outlook," "predict," "remain," "anticipate," "estimate," "potential," "continue," "plan," "could," "might," "project," "targeting" or the negative of these terms or other similar terminology. Forward looking information in the 2019 Reporting Documents includes, without limitation, statements regarding funding requirements. These statements are based on management's current expectations regarding future events and operating performance, are based on information currently available to management, speak only as of the date of the 2020 Reporting Documents and are subject to risks which are described on page 10 of this MD&A and in the Company's public filings on the Canadian Securities Administrators' website at [www.sedar.com](http://www.sedar.com) ("SEDAR") and as updated from time to time, and would include, but are not limited to the effects of the Covid-19 world pandemic and related effects on the North American global economy which may transit to OneSoft Solutions, dependence on market economic conditions, the efficacy of the Company's software products, sales and margin risk, acquisition and integration risks, competition, information system risks, risks associated with the introduction of new products, product design risk, environmental risks, customer and vendor risks, credit risks, currency risks, tax risks, risks of legislative changes, risks relating to remote operations, key executive risk and litigation risks. In addition, there are numerous risks associated with an investment in the Company's common shares, which are also further described in the "Risks and Uncertainties" section in this MD&A, and as updated from time to time, the Company's other public filings on SEDAR. These risks and uncertainties may cause actual results to differ materially from those contained in the statements. Such statements reflect management's current views and are based on certain assumptions. Some of the key assumptions include but are not limited to: assumptions regarding the performance of the Canadian and the United States economies; interest rates; exchange rates; capital availability; the amount of the Company's cash flow from operations; tax laws; laws and regulations relating to the protection of the environment; and capital spending requirements or planning in respect thereto, including but not limited to the performance of any such business and its operation. They are, by necessity, only estimates of future developments and actual developments may differ materially from these statements due to known and unknown factors. Investors are cautioned not to place undue reliance on these forward-looking statements. All forward-looking information in the 2020 Reporting Documents is qualified by these cautionary statements. Although the forward-looking information contained these 2020 Reporting Documents is based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. Certain statements included in the 2019 Reporting Documents may be considered "financial outlook" for purposes of applicable securities laws, and such financial outlook may not be appropriate for purposes other than these 2020 Reporting Documents.

The forward-looking statements contained in the 2020 Reporting Documents are made as of the date of this report and should not be relied upon as representing management's views as of any date after the date of this report. Except as required by applicable law, the Company undertakes no obligation to publicly update or otherwise revise any forward-looking statement, whether because of new information, future events, or otherwise.