



Management's Discussion & Analysis

**Year ended December 31, 2019
and Ten Months ended December 31, 2018**

**Q4
2019**

Effective in 2018, the Company changed its financial year-end from February 28 to December 31. The change in year-end resulted in the Company filing a one-time, ten-month transition year financial statement for the period of March 1, 2018 to December 31, 2018. After 2018, the Company's financial year is the period from January 1 to December 31.

This Management's Discussion and Analysis is dated March 24, 2020.

CHANGE IN YEAR-END: COMPARATIVE INFORMATION

The information presented in this Management's Discussion and Analysis ("MD&A") is for the year ended December 31, 2019 and for the ten-month financial period ended December 31, 2018. Readers of this document should be aware of the differences in quarters end and months when comparative information is presented.

INTRODUCTION

This MD&A of the results of operations, cash flows and financial position as at and for the year ended December 31, 2019 ("Fiscal 2019") should be read in conjunction with 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. 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 four wholly owned subsidiaries: OneBridge Solutions Inc., OneBridge Solutions, Inc. (together, "OneBridge") OneCloudCo Limited and CloudCo Solutions Inc. All figures presented in this MD&A are in Canadian dollars unless otherwise specified. 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 19 of this document and to the "Advisory Regarding Forward Looking Information" on page 26.

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 26 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.

FINANCIAL SUMMARY

Selected Annual Information

(In \$000's, per share amount in \$)

Fiscal Period	Twelve months ended	Ten months ended	Twelve months ended	
	December 31, 2019	December 31, 2018	February 28: 2018	2017
Revenue	2,712	4,328	1,005	571
(Loss) Income				
Continuing operations	(3,606)	295	(2,880)	(1,642)
Discontinued operations	-	-	-	178
Net (loss) income	(3,606)	295	(2,880)	(1,464)
Other comprehensive income	21	-	-	-
Comprehensive (loss) income	(3,585)	295	(2,880)	(1,464)
Basic and fully diluted (loss) income per share				
Continuing operations	(0.03)	-	(0.03)	(0.03)
Discontinued operations	-	-	-	-
All operations	(0.03)	-	(0.03)	(0.03)
Cash and short-term investments	10,512	2,015	3,661	92
Total assets	11,994	5,431	5,123	1,843
Long term liabilities	-	-	431	389
Number of shares outstanding (000's)	112,941	101,024	96,224	67,581

HIGHLIGHTS OF FISCAL 2019

Highlights for Fiscal 2019 include the following:

Revenue and Cash

- Total revenue in Fiscal 2019 was \$2.7 million, of which \$2.5 million was annual recurring revenue (as defined in [Fiscal 2020 Revenue Components](#) on page 9), more than double the \$1.1 million annual recurring revenue generated in the ten months ended December 2018. In 2018, \$3.0 million was earned from completing a software development project and no similar revenue occurred this year.
- The increase in revenue occurred as a result of increasing the Company's client count, from two as at December 31, 2018 to six clients as at December 31, 2019 that have entered into multi-year software-as-a-service ("SaaS") usage agreements. The clients include one independent pipeline operator, four Fortune 500 companies and one industry Super-major¹ who collectively operate 51,000 miles of oil and gas ("O&G") pipeline infrastructure and now utilize the Company's *Cognitive Integrity Management*TM ("CIM") SaaS solution as the foundation for their pipeline integrity management processes.
- OneSoft closed a bought deal financing on April 25, 2019 which generated \$8.4 million (net of financing expenses) that is being used to accelerate business growth and research and development initiatives designed to increase the Company's competitive moat. Approximately 75% of the capital raise was subscribed by institutional investors.
- Cash and short-term investments at Fiscal 2019 year-end increased to \$10.5 million, from \$2.0 million at December 31, 2018, giving the Company sufficient cash to execute its current business plan.
- The Company has no debt and \$8.2 million of working capital.

¹ Super-majors are considered to be the seven largest oil and gas pipeline companies world-wide.

Sales and Marketing

- The Company engaged in Proof of Concept projects ("POCs") with potential new clients during Fiscal 2019, which were in various stages of progress as at Fiscal 2019 year-end. The Company's sales funnel continues to be robust with sales projects currently underway with prospective new clients that collectively operate more than 100,000 miles of pipeline infrastructure.

- The Company engaged in industry conference and trade-show events in Fiscal 2019, including a joint workshop with Microsoft entitled “*Digital Transformation: Making Pipeline Failures a thing of the Past*” at the Microsoft Training Center in Houston. The purpose of the event was to educate attendees regarding Microsoft’s cloud computing strategy and to demonstrate OneSoft’s CIM platform, which operates on Microsoft’s Azure cloud platform. Personnel from Microsoft and three of OneSoft’s clients assisted OneSoft personnel in demonstrating our CIM platform, and sales leads are still in process of follow-up actions, which Management believes may result in gaining new clients in the future.

Corporate Developments

- The Company engaged in investor conference and trade-show events during Fiscal 2019, targeting Canadian and U.S. microcap investors, including events in Calgary, Toronto, Montreal, New York City, Los Angeles and Austin.

Technology and Intellectual Property Enhancement

- The Company made significant progress in advancing its research and development (“R&D”) roadmap by developing and adding new software functionality, including the following:
 - 758 user suggested enhancements and new functionality requests (“user stories”) from our six clients and certain prospective clients, were completed in Fiscal 2019;
 - A “Dig Management” software module, which increases the footprint usage of CIM within an organization to include logistics associated with planning and execution of pipeline excavation and repair activities;
 - Field and historical repair functionality, along with new algorithms that align inline inspection (“ILI”) data with the industry’s Pipeline Open Data Standard (“PODS”) data model to enable system-wide data alignment;
 - Improvements to enhance CIM user experience including improvements to user interface, user management and notifications;
 - 19 new dig selection criteria were integrated into our proprietary algorithms;
 - Initial structure for Direct Assessment (pipelines for which ILI data is not gathered);
 - Growth-based conditions based on pit-to-pit matching of anomalies over multiple data sets;
 - Industry horizontal initiatives to address operating and regulatory requirements including Feature Lineage, API 1163 Unity Plot, Dig Sheet, ILI Summary Executive Summary, Scoop and Condition Summary;
 - Instituting enhanced security measures that meet or exceed Azure Security Compliance PCI DSS 3.2.1, Azure CIS 1.1.0 and ISO 27001 standards;
 - The Company published 59 application releases during Fiscal 2019 and 65 cumulative machine learning algorithm updates.
- With respect to adoption metrics:
 - Active client users of CIM who typically spend most of their workday in the application increased from approximately 20 in 2018 to 167 in 2019;
 - 3,922 ILI assessments were ingested into CIM during Fiscal 2019, resulting in 142 new learnings of dig selection criteria and more than 52 million features, across all data analyzed to date.
- The Company also developed new tools to scale on-boarding of new clients. Management believes that on-boarding activities for one large client in 2019 that required approximately 7 months of time and manual efforts may be significantly reduced, due to the automation tools developed to streamline this process. This is further discussed in the next two sections.
- The number of employees grew by 27% from December 31, 2018 to December 31, 2019. Staff were added in sales, account management and software development and we also increased the headcount in our offshore development team. OneSoft has a highly skilled team which includes four data scientists with advanced degrees at the Masters and Ph.D. levels.

SUBSEQUENT TO YEAR-END

- OneSoft continued to progress sales efforts following the December 31, 2019 year end by advancing 5 POC projects with new potential clients that are currently underway, and by continuing to build the sales pipeline.

- The Company established the [OneBridge Innovation Lab](#), wherein we intend to collaborate with Microsoft, clients and partners to pursue various joint projects to improve pipeline data management, analytics and processes through the use of machine learning and data science. This business unit is managed by Tim Edward, OneBridge Canada President and Visionary, and will be staffed with a small product development team focused on new opportunities, with contribution from other OneBridge, client and partner personnel on an as-required basis.
- As part of its revenue growth strategy, OneSoft established a new senior sales position and hired a [seasoned sales executive](#) whose focus in 2020 is to increase client additions and recurring revenue. Although the Company has engaged its early adopter clients to date without a dedicated sales team, Management believes that OneBridge is now ready to scale activities to increase sales to all segments of the potential market, which exceed 1,800 potential clients in the U.S. alone.
- The Company presented a ["Repair Fraction" white paper](#) at the [Pipeline Pigging and Integrity Management \("PPIM"\)](#) conference held in Houston, Texas in February, 2020, the oil and gas pipeline industry's primary global forum devoted exclusively to pigging for maintenance, inspection and integrity evaluation and repair. The Company was invited to present its first quantifiable study outlining the value proposition of clients using CIM, which demonstrates that the Repair Fraction of excavations for pipeline repairs identified by CIM can be greatly improved over determinations made by legacy solutions, thereby resulting in significant potential cost savings for pipeline operators.

FACTORS AFFECTING SALES AND REVENUE GROWTH

Management understands and appreciates that followers of the Company are seeking more visibility into revenue growth metrics and timelines. We caution the reader that the information we can present in this regard is currently based on our experience with only a small number of clients, which may change, perhaps materially, as we sign and on-board new clients.

History of On-boarding Early Adopter Clients

To understand potential future CIM adoption and sales, it is helpful to first review the evolution of CIM development and its adoption by clients to this point.

- Following OneBridge's participation in Microsoft's first Accelerator for Machine Learning and Data Science in the first half of 2016, we developed CIM as a prototype solution in Q3 of 2016. Phillips 66, a very progressive industry player, provided some ILI data to OneBridge to train CIM's algorithms. At that time Phillips 66 had developed and was using a comprehensive, Oracle-based, on-premise computing solution to address integrity management and regulatory compliance functions. Phillips 66 was somewhat unique in this respect, as most comparable operators (and most of our clients) had used only Excel spreadsheets, rather than data-based computer software applications to assess data associated with pipeline integrity management. Phillips 66 wanted to explore potential benefits of incorporating machine learning to improve their operational processes and decided to work with OneBridge as our first "beta" user of CIM. In late 2016, CIM detected threats that Phillips 66's internal system had not detected, so Phillips 66 undertook to excavate and inspect the anomalies detected by CIM that differed from their internally-generated "truth data". Following inspection and confirmation that CIM analysis was accurate as predicted, Phillips 66 provided data for 10,000 miles of their pipeline infrastructure and began commercial use of CIM, becoming OneBridge's initial "early adopter" customer.
- Phillip 66's commercial use marked the start of CIM revenue generation, commencing in January 2017. Initially, Phillips 66 used CIM in parallel with its internal software systems. By the end of 2017, Phillips 66 had a better understanding of the benefits of machine learning and incorporated CIM into its long-term strategy for integrity management processes. A multi-year SaaS agreement for CIM use was finalized in late 2017 and, as part of its digital transformation strategy, Phillips 66 subsequently decided to provide a copy of its internal Oracle software and associated intellectual property ("IP") to OneBridge, along with funding, to migrate Phillips 66's on-premise application to Microsoft's Azure cloud platform. Based on this new vision, two other pipeline operators agreed to join the 2018 development project as "private preview" users. OneBridge completed the cloud conversion of Phillips 66 IP and its integration with OneSoft's machine learning components in December 2018, following which Phillips 66 de-commissioned its Oracle on-premise solution and replaced it with CIM. One of the two private preview users also entered into a SaaS agreement in 2018 to use CIM, while the other private preview user delayed signing a SaaS agreement until 2019, pending the addition of new functionality that this operator required.
- Four more clients that had monitored the evolutionary progress of CIM and engaged in POC projects were added in 2019, including one of the industry Super-majors and a large Fortune 100 client operating more than 18,000 miles of pipeline infrastructure. All these clients were dependent upon Excel spreadsheets for their integrity management processes and had not embraced cloud computing. As CIM represented the first cloud application in 5 of our 6 clients, OneBridge was in the position of not only pioneering the adoption of CIM as a disruptive process to replace legacy systems and processes but also as an influencer of initial digital transformation processes for these clients.

Transition to On-board Mainstream Clients

- When we first introduced CIM to prospective customers in 2017, digital transformation concepts were in their infancy within the oil and gas pipeline industry, except for a few companies that had interest in investigating and participating in cutting-edge technology projects. Some of these companies became our private preview customers, motivated by various factors. Phillips 66 had already embraced new technologies, including having participated in a prior machine learning project that was discontinued prior to involvement with OneBridge in late 2016. Our next five clients were motivated to engage for other company-specific reasons, with internal projects driven by different groups within their operations. The integrity management business units of our next three clients drove the CIM POC trials, private preview participation and subsequent CIM adoption, promoting their experiences to senior management and C-suite personnel within their organizations. For our last two clients, including the industry Super-major and 18,000 mile operator, decisions to engage with OneBridge were essentially driven by senior management and C-suite personnel, who wanted to explore digital transformation to improve upon legacy processes.
- The 18,000-mile client was particularly opportunistic, in that we had to develop tools and automated processes to on-board this client onto CIM. We can now use these tools and processes to automate onboarding for clients with little or no experience with integrity management software systems or cloud computing. Furthermore, this client had developed a comprehensive dig-management process that addressed logistics associated with choice of pipeline inspection gauge (“PIG”) tools to be used, job and crew scheduling, and collection and cataloguing of inspection data following excavations and repairs. This new functionality set was developed and added to the CIM platform during Fiscal 2019, concurrently while this client and their extensive data sets were being loaded in CIM and new tools to automate on-boarding were being developed. Although on-boarding for this client required approximately 7 months, we believe that similar clients can now be on-boarded much more rapidly, due to the automation procedures that were developed while working with this client.

Tools to Scale Client Growth

- The following two charts provide a glimpse into the automation, management and dash-board reporting associated with data sets that are required to on-board large clients.

The following screen summarizes the status of each of the individual ILI datasets, which could number in the thousands, that need to be ingested and normalized prior to CIM analysis.

The screenshot shows a software interface titled "System (Step 2 of 2)" with a top navigation bar containing buttons for Refresh, Run Ingestion Validation, Process, Copy, New, and Export. Below this is a search filter section and a table with columns: Action, System Name, Division, Diameter(s), Length (miles), Installation Date, Completion Date, and Assigned To. The table lists various pipeline systems with their respective details. Three callout boxes are overlaid on the table:

- A red callout box pointing to a green checkmark icon in the Action column: "waiting for data"
- A red callout box pointing to a green checkmark icon in the Action column: "ILI data log has been validated with no remaining issues and can be ingested"
- A red callout box pointing to a yellow warning triangle icon in the Action column: "some sort of data issue that requires human input"

The following screen is an example of one of the dashboards that reports progress of the on-boarding process in real-time. OneSoft recognizes revenue when ILI assessments are fully ingested, as per contractual obligations, which then allows deferred revenue to be realized as earned revenue, or for the revenue to be otherwise paid.



Evolution of Sales and Marketing Strategies

The factors discussed in the prior section have impacted our sales processes which have historically varied from less than one year to more than three years. Although it is very beneficial for prospective clients to adopt CIM, given its advantages we believe exist over legacy systems and processes, we also understand that industry players are cautious and undertake extensive investigation and validation efforts before changing processes that have been used for decades. Our experience is not unlike that of others who are introducing disruptive new technologies.

In compiling our go-forward business plans and budgets, we now have more data and knowledge based on historic experience involving our current clients to make better assumptions regarding a multitude of factors we expect to encounter as we grow our business in Fiscal 2020 and beyond, including the following:

- We anticipate that we will continue to work closely and collaboratively with Microsoft cloud sales teams and integrity management, IT and senior management teams of prospective clients to continue establishing POC projects as a necessary precursor in most cases prior to signing long term SaaS agreements, until CIM becomes more accepted within the industry as the machine learning solution “standard”.
- Consistent with history, we recognize that some of the POCs that will successfully conclude (i.e., we are able to demonstrate the high value proposition of CIM) may nonetheless result in cessation of the sales process, for various time frames and reasons. Topping this list is the fact that adoption of our CIM platform requires highly disruptive changes to processes that operators have used for decades, and operators are reluctant to make such changes until they are ready to embark upon such disruption, irrespective of potential risk/reward benefits. For example, some operators may require time to prepare to reorganize budgets and priorities that may be impacted because of unknown pipeline integrity threats that CIM might uncover. In most cases, the decision to adopt CIM typically involves collaborative investigation and buy-in of multiple departments within an organization, including the integrity management business unit and personnel from IT, legal, accounting, procurement, senior management and C-suite groups. Not surprisingly, coordination for meetings, investigation and decision making that must occur collaboratively amongst these groups takes time, particularly within large organizations.
- One prevalent factor that continues to impact CIM adoption is that integrity management teams are generally heavily consumed with day to day activities that take priority over investigation of new systems like CIM. It is not uncommon

for POC projects to be postponed because integrity personnel are frequently called away to deal with higher priority situations or surprise regulatory audits, which typically require weeks of time for preparation and completion. In the case of one of our clients, the sales process was stopped for nearly a year prior to the client re-engaging and subsequently adopting CIM. The reality of the situation is that many of our prospective clients have insufficient time to complete their required tasks and concurrently allocate time and resources necessary to investigate CIM on a timetable that we would prefer. Regardless, we must remain patient and persistent and have high confidence that our sales process will ultimately result in signing new clients.

- We also recognize and understand that our experience with our early adopter clients is somewhat different from what we expect to encounter with future early and late majority customers⁽²⁾ that now comprise our sales pipeline. This group of prospective customers are, by definition, more reluctant to embrace change and new technologies than early adopters, until they become wholly mainstream for the industry.

⁽²⁾ (reference [Technology Adoption Curve](#) section on page 4 or our MD&A published on January 23, 2019)

Based on what we have learned to date, we have pivoted our sales approach and processes as follows:

- We are working closely with Microsoft to identify and focus on companies that have initiated plans to pursue digital transformation within their organization. These initiatives are typically driven from the senior and C-suite management levels, who also are in the best position to understand the overall value proposition that use of the CIM platform can bring to the organization.
- We now attempt to commence the sales process at the senior management level rather than at the integrity management business unit, with the expectation that the sales process will have a better chance of success if driven downward from senior management rather than upward from the integrity management business unit. As was announced on February 18, 2020, subsequent to the year end, the Company hired a Houston-based seasoned oil and gas sales veteran as a new [Vice President, Sales](#), whose role is to revamp our sales team and processes to support this strategy.
- Maintaining pipelines is very costly. The American Petroleum Institute ("API") and Association of Oil Pipe Lines' ("AOPL") published a report entitled "[API-AOPL Annual Liquids Pipeline Safety Excellence Performance Report & Strategic Plan 2016](#)" which stated that a group of energy companies spent more than \$1.6 billion evaluating, inspecting and maintaining 207,800 miles of liquids pipeline during 2014, which equates to an average expenditure of \$7,700 per mile of pipe. This report was updated in 2019, however, references to industry spend for evaluation, inspection and maintenance were omitted in the latest report.

Whereas our historical CIM pricing to date (which has equated to approximately \$100 per mile of data ingested) is inconsequential relative to these costs, it is important to note that our pricing strategy considered two other important factors that were necessary to launch our disruptive solution. Firstly, low pricing encouraged early adoption of our solutions by high profile clients, and secondly on-boarding these early clients provided access to the large data sets we required to train and evolve our proprietary algorithms and learnings, which would otherwise have been very difficult or impossible to source and aggregate.

Our CIM platform is the industry's first (and only as far as we are aware) commercial SaaS application based on machine learning and data science to operate on Microsoft's cloud platform. We believe this first mover advantage positions CIM to entrench as the new-technology machine learning industry standard and, accordingly, become one of the fundamental pillars upon which oil and gas pipeline operators begin to pursue their digital transformation processes. We anticipate that these factors and the new functionality modules that will be developed in the future will justify increasing our pricing in the future, without market objection or pushback.

Consider the following excerpt from the white paper on [Digital Transformation Initiative, Oil and Gas Industry](#), published by the World Economic Forum, in collaboration with Accenture, which provides an encouraging outlook for digital transformation technologies like OneSoft's Cognitive Integrity Management™ platform, currently targeted at the midstream market.

Digital transformation in the Oil and Gas industry could unlock approximately \$1.6 trillion of value for the industry, its customers and wider society. – This total estimated value from digitalization can further increase to \$2.5 trillion if existing organizational/ operational constraints are relaxed, and the impact of "futuristic" technologies, such as cognitive computing, is considered (for which there is insufficient evidence to make a definitive value assessment at this time). – Digitalization has the potential to create around \$1 trillion of value for Oil and Gas firms.

Digitalization has the potential to create around \$1 trillion of value for Oil and Gas firms. Of that amount, \$580-\$600 billion is expected to accrue to upstream companies, approximately \$100 billion to midstream firms and \$260-\$275 billion to downstream companies.

To summarize this point, we believe our CIM platform can play a key role as our clients progress through their digital transformation strategies and thereby unlock operational and financial efficiencies that are not currently attainable with legacy technologies, and that we will be able to implement pricing strategies more closely aligned with the overall value that our CIM platform contributes.

- The [Repair Fraction white paper](#) that we presented at PPIM was the first of several studies that we intend to publish that relate to the high value of data-driven decisions for the industry. As these studies are completed and validated by our data and clients' experiences, we intend to incorporate the value metrics into our sales messaging. We believe that financial value metrics that are largely unknown today, once proven through sufficient data analysis, will become effective motivators to drive CIM sales decisions and endorsed by senior management and C-suite teams who are constantly seeking ways to improve efficiencies and financial results.
- The Pipeline and Hazardous Materials Safety Administration ("PHMSA"), the USA pipeline industry regulator, has published a new compliance rule ([2019-20458](#)) which is currently scheduled to take effect on July 1, 2020. This rule mandates two new key requirements for O&G pipeline operators that we believe will be beneficial to the Company's future opportunities. Firstly, all O&G pipeline operators will need to collect, interpret and manage more data, which we believe our CIM platform is well-poised to address for clients. Operators will need to demonstrate their capability to integrate data and justify business decisions based on such data integrations. Secondly, certain gathering pipeline infrastructure that was previously exempt from certain operating requirements will be required to comply with certain new PHMSA regulations when the rule takes effect, similar to what our current (mid-stream) clients are addressing with CIM. We believe these new compliance requirements will effectively increase our total addressable market ("TAM") within the U.S.A. and also motivate certain potential customers to accelerate their transition to new technology platforms like CIM to address digital transformation initiatives.
- To alleviate the shortage of resources typically experienced by our prospective customers to investigate and on-board CIM, we have also pivoted our process to reduce the work-load they would need to undertake to conduct POCs, including loading of sample data and set-up for clients who decide to adopt CIM. Using our new on-boarding tools it is now possible to automate these processes, with reduced distraction to their integrity management personnel. We anticipate that our efforts in this regard will enable prospective customers and clients to experience CIM's value proposition more quickly and less stressfully and ultimately assist to shorten sales cycles.
- Implementing these new onboarding techniques enables OneBridge to load significantly more data for POC projects than were typically used in prior POC projects. The more data that is processed by CIM in evaluation POCs, the better information the prospective customers have to make buying decisions. We intend to pursue our "land and expand" strategy, wherein the objective is to put CIM to actual use within an operator as quickly as possible, even for only a small segment of their pipeline infrastructure. This might involve, for example, on-boarding CIM for a particular pipeline that may be problematic, or one that is undergoing a pipeline restoration project that has already been planned and budgeted. In some of these cases, the decision to implement CIM as part of this type of special project might bypass the usual corporate requirement to undertake the full CIM validation process that typically requires many months to work through. One such scenario was commenced in early 2020, wherein a 10,000-mile operator agreed to trial CIM for a 1,000-mile restoration project, with a view to repeat this for a subsequent 1,000-mile project. We believe this "land and expand" strategy can enable us to engage a new client in a shorter time frame, without first wading through the full CIM validation and adoption process by the customer that would otherwise take many months to complete.

Fiscal 2020 Revenue Components

Fiscal 2020 revenue expectations and projections have been determined based on sales process and revenue ramp-up factors we experienced as a result of having conducted sales and on-boarding activities during the past two years. The Company's revenue is derived from three sources:

- Annual Recurring Revenue ("ARR") revenue buckets include the following:
 - Data-mile Subscription Fee. Some clients may choose a pricing model wherein the CIM monthly usage fee is charged per mile of ingested pipeline data. In this alternative, the Subscription, New and Historic ILI Log Ingestion Fees described below are not charged.
 - SaaS Subscription Fee. This monthly fee is fixed to the client once set based upon the total number of pipeline miles under management by the operator. This fee provides the client with 24/7 access to a base of commonly required functions within CIM.
 - ILI Log Ingestion Fee. Clients pay a fee for each ILI data set ("Log" or "Assessment") uploaded to CIM. Clients pay reduced fees to ingest historic ILI Logs, as compared to new/current ILI Logs. We anticipate that most historic ILI logs will generally be loaded in the first 12 to 18 month's use of CIM and generate a temporary rise in revenue during this time. ILI Log ingestion fees are recurring but variable in timing and by number of Logs processed, in that clients typically run tools through (i.e., "PIG") their pipelines on regular schedules so as to

inspect their full infrastructure over a few years, and in any event within the five or seven year requirement as mandated by U.S. regulators. For example, an operator that is required to inspect 10,000 miles of pipeline on a five-year schedule might PIG 2,000 miles of pipeline each year. Assuming an average of 30 miles per PIG run, the client would therefore expect to load 67 New ILI Logs into CIM each year on average, which represents recurring revenue for the Company.

From the client's perspective, ingestion of historic and new ILI Logs enables CIM to perform "pit-to-pit" alignment of features (i.e., matching of points of corrosion and other anomalies detected by inspection tools over multiple PIG runs) and thereby track historic growth of anomalies from which future failure points can be predicted. From OneBridge's perspective, each log ingested into CIM provides new learnings which are continually incorporated into and reiterate enhancements of our proprietary machine learning algorithms. It is highly advantageous for both the client and OneBridge to load both historic and new ILI Logs, as they serve to provide more extensive data for better predictive analytics.

- Microsoft Azure fees are charged where clients choose to use OneBridge's Azure subscription rather than their own to host CIM. This monthly fee is based on the costs of OneBridge's Azure subscription costs and staff time required to manage the subscription.
- Specialized Functionality Module Fee. The Company has adopted an "Economic Consumption" revenue model wherein clients can access new modules of functionality for additional fees. For example, the Company is developing a "Repair vs. Replace" module, that operators can use to compare the economics of repairing a segment of pipeline over time versus replacement of that segment with new pipe. CIM can make this determination with two operator-provided variables— the cost of excavation and repair per dig, and the cost of removal and replacement with new pipe. Because CIM tracks and predicts a future failure date for each individual anomaly, the aggregation of anomalies that represent threats to failure can be isolated to specific segments of pipe, thereby enabling a data-driven decision whether repair or replacement is more economical. Another example is a module that specifically identifies interacting threats, such as a crack anomaly overlaid upon a dent anomaly, which may require specific remedial action. Such Specialized Functionality Modules are not typically required regularly by operators but can be accessed on an as-required basis for additional fees.
- Other Revenue includes the following buckets:
 - Proof of Concept (Pilot) ("POC") Project Fees. In some cases, the Company may invoice prospective clients for costs associated with CIM trial use including data cleansing services and reimbursement of Azure computing costs. Microsoft may pay a portion or all of a particular POC Project Fee, depending upon certain factors as determined by Microsoft.
 - Services Fees. Services Fees include various billings associated with on-boarding of clients such as data cleansing, loading of Logs, training, project management and other CIM-associated work.
 - One-time Projects. With the establishment of the [OneBridge Innovation Lab](#) as announced on February 13, 2020, future revenue may be generated by one-time development projects that could supplement the Company's IP. An example of this is the Company's migration of Phillips 66 IP to operate on Microsoft's Azure cloud platform which completed in December 2018.

MANAGEMENT FOCUS IS REVENUE GROWTH

Management believes that increased Company and shareholder value will be achieved by adding new clients; growing revenues, (particularly ARR) and increasing our competitive moat by leveraging Innovation Lab projects to advance our IP.

We subscribe to the approach used by many professional investors and strategic buyers to value a SaaS company, such as those documented by [SaaS Capital™](#), a U.S.-based organization that manages several investment funds that exclusively finance growing SaaS companies by providing recurring revenue credit facilities. SaaS Capital monitors and assesses various metrics of their "[SaaS Capital Index](#)" comprised of 50 large public SaaS companies, and also approximately 60 small (including early stage) portfolio SaaS companies followed by SaaS Capital™. As documented in their featured publication, "[What's Your SaaS Company Worth?](#)" their basic premise is public SaaS company values are driven by revenue while other businesses' value is based on EBITDA or net income metrics. They contend a SaaS company's net income takes a long time to materialize due to the initial expenses required to grow revenue. For example, sales and marketing expenses are incurred upfront and the revenue they generate is earned over many years. This "lag" typically makes new customers unprofitable in the short term, even though they are expected to be profitable over the long term. In rapidly growing SaaS businesses, new, temporarily unprofitable customers combined with large sales and marketing expenses overwhelm the gross margin from the current customers to typically make net income negative. If the business did not focus on revenue growth, it could cut back expenses, retain its current customer base and presumably be profitable and generate cash. The alternative is to focus on growth and continue to invest in marketing and sales until the contribution of the much larger customer base pays all expenses making the company profitable. SaaS Capital points out that

even for the largest SaaS businesses today, there is little relationship between profitability and valuation. For these reasons, SaaS company investors that agree with these valuation factors believe that revenue and revenue growth is a better indicator of long-term positive cash flow for a SaaS business than net income or EBITDA.

As documented in the above referenced publication SaaS company values range widely, from approximately 3x to 25x revenues (the "Revenue Multiple"), dependent upon various valuation factors that are considered when estimating SaaS company valuations, including the following:

- **Growth and Scaling of Revenue.** This factor encompasses the amount of revenue, how long it will take to increase, and how likely revenue growth is to occur. According to SaaS Capital's analysis, SaaS companies with up to \$3 million in ARR need to achieve year over year ("YOY") growth of at least 50% to receive the average revenue multiple valuation, and growth rate above 75% YOY could elevate valuation multiples if accompanied by a verifiably large addressable market.

For SaaS businesses in the \$3 to \$10 million range, a growth premium will become relevant above 40% year over year growth, and growth of 50% YOY or more could see premiums to the revenue multiple.

- **Market Size.** Quantifying Total Addressable Market ("TAM") size is another key valuation factor in determining a SaaS company's valuation multiple. Generally, TAM impacts the valuation equation as a negative factor if market size is small.
- **Revenue/Customer Retention.** This is a significant driver of value because it touches upon all the key factors that impact future cash flows of a SaaS business. High retention increases revenue growth rate and improves profitability and revenue predictability, thereby reducing perceived risk.

Because customer retention is also cumulative, small changes in customer churn could have a significant impact over time. SaaS Capital published several reports and a white paper on SaaS company retention rates, from which they conclude that using 2019 valuation multiples, a 1% increase in retention should equate to a 15% increase in value over five years, because better retention both improves a company's growth rate and also results in higher revenue over time. They note that these two factors are already incorporated in the company's valuation multiple but increase if retention rates exceed those of peer comparable companies.

- **Gross Margin and Revenue Mix.** Gross margin indicates the potential profitability level of the business per dollar of revenue when it reaches a more mature phase, and also determines how much cash a company can reinvest back into sales, marketing and product development, i.e., the capital efficiency of the business. For these reasons, the lower the direct cost of goods sold ("COGS") required to deliver a SaaS revenue stream, the more valuable that revenue is deemed to be. The average SaaS Capital Index gross margin reported in the publication is 73% for public companies, with COGS that include professional service, hosting, personnel customer support and success, and all other costs associated with deploying the solution. Deviations from this average COGS percentage can adjust the Revenue Multiple positively or negatively.
- **Customer Acquisition Efficiency and Unit Economics.** Customer acquisition cost ("CAC") ratio is calculated by dividing new ARR from new customers by the sales and marketing spend to acquire those customers – i.e., how much annual revenue is generated for each dollar invested in sales and marketing. SaaS Capital's 2019 survey yielded a CAC ratio of 78%, meaning each dollar of sales and marketing spend generated 78 cents of ARR, or a monthly payback period of 15.4 months (calculated as 12 months divided by .78). From a valuation perspective, companies that are inefficient at acquiring new customers and have a CAC ratio below 60% are valued less, and those that are efficient and have a ratio above 1.2 are valued higher per dollar of revenue.
- **Profitability.** Although profitability does not play a substantial role in the valuation of a SaaS business, there are some scenarios in which its impact is potentially significant – for example, profitability becomes relevant to valuation when combined with slow growth, as future cash flows from a business that is both unprofitable and slow-growing are difficult to quantify.
- **The Balance Sheet.** Valuation is adjusted by balance sheet considerations, including cash balances and debt obligations. Deferred revenue, a balance sheet item typically associated with SaaS, deserves separate consideration. Some valuers may argue that deferred revenue represents cash that has already been collected and should therefore should not be considered in future cash flows. An opposing view argues that (a) if the business grows or maintains current revenue levels deferred revenue will never be "repaid", thus is part of the normal working capital equation of the business and is actually a source of cash if the business grows; and (b) to satisfy the deferred revenue "liability" the company merely needs to provision the services, not pay cash out as would be required to retire a bank loan or most other long term liabilities.
- **Other Valuation Drivers.** In reality, a myriad of other factors that are company-specific and difficult to quantify can impact valuation multiples, including varying perceptions of the business by various followers; whether a company is a leader in its space; the experience of the management team; and technological advantage and competitive moat.

OneSoft's estimated metrics for some of the SaaS valuation factors discussed above are summarized in the following chart, for the 10-month period ended December 31, 2018 and for Fiscal 2019. Note that OneSoft records royalty expense from the use of third-party software in its COGS, which is an expense not specifically mentioned in the SaaS Capital publication.

Metrics Considering SaaS Factors Described in <i>Fiscal 2020 Revenue Components</i> section above	YE Dec 31/19	PE Dec 31/18
Revenue as reported in Fiscal 2019 Financial Statements	\$ 2,711,768	\$ 4,327,845
Fiscal 2019 Revenue categorized as per <i>Fiscal 2020 Revenue Components</i> section		
Annual Recurring Revenue ("ARR")	\$ 2,460,330	\$ 1,093,690
Other Revenue	\$ 251,438	\$ 214,655
Software development project Revenue	\$ -	\$ 3,019,500
Total Revenue	\$ 2,711,768	\$ 4,327,845
Direct Costs	\$ 701,739	\$ 185,183
Direct Costs as % of ARR and Other Revenue (excludes Software development revenue)	26%	14%
Gross profit as % of ARR and Other Revenue (excludes Software development revenue)	74%	86%
ARR as % of Total Revenue	91%	25%
ARR Growth - Fiscal 2019 compared to 10 month period ending December 31 2018	125%	n/a

BUSINESS OUTLOOK

Management believes that Fiscal 2019 was a successful year for OneSoft, from both operational and corporate perspectives. We doubled annual recurring revenues from 2018 (10 months) to 2019 (12 months), tripled our client base, developed new software functionality that increased our credibility and footprint in our market and developed tools to scale and automate the on-boarding of future clients. We also strengthened our balance sheet through a capital raise, enabling the Company to capitalize on its first mover advantage and increase our competitive moat. The combination of \$10.5 million of cash and short-term investments on hand at Fiscal 2019 year end, no debt, \$8.2 million in working capital, increasing and sticky annual recurring revenues and a strong sales pipeline collectively serve to support the Company's growing future opportunities and reduces risk for shareholders as the business matures.

Based on the comprehensive validation processes conducted by high-profile clients who on-boarded in 2019; communications with prospective customers who are currently investigating or engaged in POC trials; and numerous interactions with other industry professionals and vendors, we believe that awareness and credibility of our Company and Cognitive Integrity Management ("CIM") platform are continuing to gain momentum within the U.S. oil and gas pipeline industry. Management is focusing efforts to meet Fiscal 2020 objectives as follows.

From a revenue and sales perspective:

- Our highest priority in 2020 is to sign new clients in pursuit of our "land and expand" growth strategy, as this effort will serve to increase our data ingestion and iterations of our algorithms, expanding our foundation and opportunity to increase revenues over the longer term.
- We anticipate that annual recurring revenue will again double year over year in 2020, as a result of some of our current clients increasing use of our solutions by on-boarding their regional affiliate operations, and through addition of new clients.

From a research and development ("R&D") perspective:

- With respect to maintaining our technological lead and competitive moat with machine learning IP, we intend to continue research and development of new modules for our CIM platform to increase our footprint of functionality that will support pipeline operators' requirements and initiatives as they pursue digital transformation strategies.
- To supplement our internal R&D efforts we intend to seek collaborative joint projects for our [Innovation Lab](#) with select clients, industry associations and third party industry vendors, to identify new synergistic white space opportunities to augment our intellectual property based on leveraging our machine learning, data science and cloud computing expertise.
- We intend to continue to aggregate big data to advance our algorithms, increase our database of learnings for the industry and investigate potential new alternatives to monetize such learnings.
- Based on our investigations at PPIM in February 2020, we believe we still have no direct competitors for our machine learning, cloud-based solution, and that our strategies and efforts will achieve our objective of increasing our competitive moat.

From a corporate perspective:

- We intend to improve awareness of our Company and opportunity with U.S. investors by increasing our participation in various investor and industry conferences, road show events and other initiatives targeting potential investors who pursue artificial intelligence; machine learning; SaaS; and environmental, social and governance—associated investments in microcap companies.
- Management will continue to operate the business with a strong focus on increasing shareholder value, by advancing the Company's intellectual property and addressing the multiple factors that we believe tend to enhance value for SaaS companies.

Potential Business Disruption Due to Volatile Oil Price and Covid-19 Virus

Although it is difficult to predict future scenarios that OneSoft may need to contend with in Fiscal 2020 as a result of the depressed oil price and Covid-19 virus epidemic, we believe the Company is well-positioned to deal with unusual business disruption that started to unfold in early 2020.

- With respect to depressed oil prices, our clients are midstream pipeline operators whose business is to transport oil and gas products and typically operate under 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 oil pricing volatility and assured revenues justify continuance of our clients' integrity management and digital transformation strategies. Unlike upstream companies (oil and gas producers) whose capital and operating expenditure budgets are more closely linked with the price of oil and gas, we anticipate less disruption to our business with midstream clients as a result of volatile commodity pricing. Furthermore, PHMSA regulations that mandate periodic collection of ILI data for U.S. O&G pipeline infrastructure are still required, and it is possible that we may even benefit as a result of industry financial concerns if customers potentially accelerate their investigation and adoption of more efficient and cost-effective methodologies to improve financial operating metrics, which we believe our solutions deliver. As well, new PHMSA rules that are scheduled to be effective July 1, 2020 are anticipated to not only require operators to improve data gathering and analysis processes but to also assess more pipelines that are not currently subject to federal operational mandates, thus potentially expanding our U.S. addressable market.
- With respect to Covid-19 most of our clients and prospective customers have by now implemented policies to minimize potential negative effects to operations, which impact travel and access to their employees for meetings. While face to face meetings with clients and prospective customers are currently restricted, we are well positioned to conduct meetings using on-line and video conferencing tools instead. Our Company has operated with remote home-based employees rather than from a centralized office environment since 2015. As a result, we do not anticipate slow-down of product development or expect material negative disruption to service our clients, as we are insulated from the potential quarantine and work stoppage scenarios that currently face businesses that use conventional office environments.

The extent of potential business disruption in Fiscal 2020 cannot be known with any degree of certainty. At this point in time, and given the information we have today, Management anticipates that business fallout from these factors will be disruptive for at least part of 2020, but not overly threatening to the Company's longer-term business and outlook. We intend to closely monitor the situation and adjust as necessary as events unfold.

Fiscal 2020 Outlook

Given the Company's priorities to focus on adding new clients, increasing data ingestion and analyses to augment our learnings database and accelerating new product development to increase our competitive moat and future opportunities, we expect to incur operational losses in 2020. Following the ramp-up of resource allocations to pursue these growth initiatives in 2019 the Company's cash consumption in operations before the effect of changes in working capital accounts was \$2,535,359, or an average of \$633,840 per quarter. This cash consumption was offset by the generation of \$2,711,126 cash from working capital accounts, of which \$991,324 arose from deferred revenue as customers prepaid next year's subscription to use CIM. Management believes they can, in part, finance a portion of the 2020 operational cash consumption in a similar manner.

Management's current expectation, based on our sales pipeline, is to double revenue in Fiscal 2020 over the prior year, providing purchase decisions are not postponed due to unforeseen industry budget curtailments resulting from the commodity price volatility and Covid-19 disruptions. If such disruption were to occur, we believe the worst-case scenario will be a delay in achieving our objectives until more normal business conditions prevail. We also believe that such disruption would likely delay development funding for potential competing solutions, so potential risk to our competitive moat would not be significant during this period of disruption. In any event, we will continue to enhance our solutions and build stronger value for our Company and investors, and given the Company's \$10.5 million cash and short-term investments balance and current cash burn rate, we believe the Company is well-funded to pursue our business and strategies.

RESULTS OF OPERATIONS

Year ended December 31, 2019 compared to ten months ended December 31, 2018

Revenue and Gross Profit

	12 months ended	10 months	Change	
	December 31, 2019	December 31, 2018	\$	%
Annual Recurring Revenue (ARR) ⁽¹⁾	2,460,330	1,093,690	1,366,640	125.0
Other revenue ⁽¹⁾	251,438	214,655	36,783	17.1
Software development contract	-	3,019,500	(3,019,500)	(100.0)
Total Revenue	2,711,768	4,327,845	(1,616,077)	(37.3)
Direct costs	701,739	185,183	516,556	278.9
Gross profit	2,010,029	4,142,662	(2,132,633)	(51.5)
Gross margin	74.1%	95.7%	(21.6%)	(22.6)

⁽¹⁾ Revenues categorized as per Fiscal 2020 Revenue Components table, page 12.

Annual Recurring Revenue (ARR) increased 125.0% as four additional customers commercially contracted to use CIM in 2019. Services revenue was earned providing project management assistance and revising a client's historical data to facilitate its ingestion into CIM.

In December 2018, a software development project was successfully completed in December 2018 from which the Company earned revenue of \$3,019,500. There were no similar projects this year.

Direct costs rose in the current quarter. Azure cloud computing costs increased by \$203,178 due to the higher customer count, greater CIM usage by each client and the Company recording its Azure costs in full this year whereas in the comparative period, the remaining portion of a grant from Microsoft (a benefit from participating in the Microsoft Ventures Accelerator program in 2016) absorbed five of the ten months expense. The expense of staff providing client on-boarding assistance increased by \$212,040. Royalty expense related to revenue generated by certain components of CIM increased costs by \$99,606.

Gross profit decreased due to the decrease in revenue and the gross margin declined due to the increase in Azure costs and the cost of staff providing onboarding assistance to a new client which could not be recovered through additional charges to the client.

Expenses:

	12 months ended	10 months ended	Change	
	December 31, 2019	December 31, 2018	\$	%
Salaries and employee benefits	3,527,200	2,809,155	718,045	25.6
General and administration	716,052	437,432	278,620	63.7
Sales and marketing	460,122	466,545	(6,423)	(1.4)
	4,703,374	3,713,132	990,242	26.7
Software development costs capitalized	(101,974)	(519,599)	417,625	(80.4)
Operating expenses, net of costs capitalized	4,601,400	3,193,533	1,407,867	44.1

Staff hires over the last year, wage increases and a twelve-month fiscal period in 2019 versus a ten-month fiscal period in 2018 caused salaries and employee benefits to increase by \$674,661 over the comparative period. Staff recruitment and personnel agency fees increased expenses by \$92,058. Subcontractor expense increased by \$136,667 due to requirement of more resources from both domestic and our offshore software development teams. Activities which reduced expense included allocating an additional \$181,445 to direct costs and incentives earned in fiscal 2019 being \$17,448 less than that earned in 2018.

Several factors caused general and administrative expenses to increase. Costs of the Microsoft Azure computing platform used for internal development increased by \$177,212 since this period last year, where five of the ten months expense were absorbed by the remaining Microsoft Accelerator grant initially received in 2016. Product planning and development meetings in 2019 increased staff travel expenses by \$30,375. The Company engaged its independent auditors for advice on transfer pricing and income tax planning including reorganizing our corporations to optimize the application of tax losses in future years which increased expenses by \$41,681. Annual state incorporation taxes in the USA for two fiscal periods (due to the change in the fiscal period) increased expense by \$17,261 and costs related to the Annual General Meeting of the Shareholders held in May 2019 caused this expense to increase by \$15,489 on a year over period basis. The Company required less legal assistance this year causing legal fee expense to decline by \$21,362, offsetting some of the increases.

Trade show expenses promoting the Company's products increased sales and marketing expense by \$13,286 and costs incurred promoting the Company to investors and capital market firms increased by \$19,983. Fees paid for investor relations services increased by \$22,674 over the comparative period due to the longer fiscal period in 2019 versus 2018. Payments made to outside consultants for assistance to improve the Company's sales process reduced by \$63,659 as the bulk of the services were performed in 2018 than in 2019. Other areas of increased activity included revision of the Company's website creating \$9,147 more expense than in the prior period

In the current period, costs of new software development of new pipeline crack analysis algorithms and the pipeline dig management module were capitalized as intangible assets. In the comparative year, costs related to CIM 2.0 were similarly capitalized.

Other expense (income)

	12 months ended December 31, 2019	10 months ended December 31, 2018	Change	
	\$	\$	\$	%
Stock based compensation	663,211	386,510	276,701	71.6
Revaluation of contingent consideration	-	67,014	(67,014)	(100.0)
Amortization of intangible assets	386,236	208,077	178,159	85.6
Depreciation of property and equipment	21,124	13,856	7,268	52.5
Foreign exchange loss	91,403	-	91,403	100.0
Interest income	(147,415)	-	(147,415)	100.0
Other income	-	(21,108)	21,108	100.0
	1,014,559	654,349	360,210	55.0

The combination of new stock option grants awarded to employees, directors and investor relations consultants and a higher fair value cost of each option (due to the rise in the Company's share price) caused stock-based compensation expense to increase over the comparative period.

In 2018, the value of the shares contingently issued in 2015 increased by \$67,014 due to the rise in the trading price of the Company's shares. The contingency condition was removed in June 2018 which ended any further adjustments being recorded.

In the current period, amortization expense has increased by \$178,159 on a comparative basis as the development costs capitalized this year and last year began being amortized this year.

A large accounts receivable recognized in 2018 was collected in 2019. The foreign exchange rate declined prior to its realization creating a large portion of the foreign exchange loss. Intercompany debt settled this year also contributed to the loss.

The Company invested \$8.4 million of the proceeds from the issuance of shares in April 2019 into interest-bearing certificates creating the increase in interest income.

Comprehensive loss

The net loss in 2019 was \$3,605,930 versus net income of \$294,780 in 2018. The 2018 results include revenue of \$3,019,500 from completion of the software development contract and the fiscal period being only ten months in length, versus a full twelve months in 2019. As the average monthly expenses in 2018 were \$436,648, the difference of two months resulted in the 2018 income statement bearing approximately \$873,000 less in expenses.

In 2019, ARR and other revenue doubled from \$1,300,012 to \$2,711,768 and expenses increased \$1,350,452. Management believes the continued investment of resources into software development, marketing initiatives and acquiring new employee skillsets is essential for the Company to continue to increase revenue, gross profit and cash flow in future periods.

SUMMARY OF QUARTERLY RESULTS FOR THE FISCAL QUARTERS ENDED:

(\$ 000's, per Share in Dollars)	12 months ended December 31, 2019				Ten months ended December 31, 2018			
	31-Dec	Sept 30	June 30	Mar 31	Dec 31**	Nov 30	Aug 31	May 31
Revenue	640	770	710	592	3,137	509	389	293
Gross profit	382	582	533	512	3,132	394	337	280
Expenses (net of software development costs capitalized)	1,458	1,295	1,377	1,183	602	1,135	1,051	1,014
Comprehensive (loss) income	(1,120)	(664)	(836)	(967)	2,529	(738)	(729)	(767)
Basic and diluted (loss) income per share:	(0.01)	(0.01)	(0.01)	(0.01)	0.03	(0.01)	(0.01)	(0.01)

** Represents results for month of December 31, 2018 only due to change in fiscal year-end. Includes \$3.0 million software development project completed December 2018.

Quarter ended December 31, 2019 compared to Four months month ended December 31, 2018

Revenue and Gross Profit

	Three months	Four months	Change	
	ended December 31, 2019	ended December 31, 2018	\$	%
Annual recurring revenue	611,828	488,370	123,458	25.3
Other revenue	27,799	138,184	(110,385)	(79.9)
Software development contract	-	3,019,500	(3,019,500)	(100.0)
Total Revenue	639,627	3,646,054	(3,006,427)	(82.5)
Direct costs	257,131	120,132	136,999	114.0
Gross profit	382,496	3,525,922	(3,143,426)	(89.2)
Gross margin	59.8%	96.7%	(36.9%)	(38.2)

Annual recurring revenue increased because the Company had six clients generating revenue throughout the current quarter versus three in the comparative period. A large software development contract which had been worked on throughout the year completed in December 2018 and its revenue was recognized at that time. There were no similar projects in 2019. Other revenue decreased this year as there were less POCs completed in the quarter and last year's POC fees were charged at a high rate than this year.

Direct costs rose in the current quarter. CIM implementation activities with a large new client were extensive in the current quarter causing the allocation of staff salaries to direct costs to increase by \$75,386, of which only a portion was recovered in other revenue. Azure costs rose by \$39,350 as customers made greater use of the cloud computing services in this period than last year. Commission expense paid to a third party declined by \$13,289 in the current versus comparative period and that obligation is now completed.

Gross profit decreased due to the software development project not similarly repeating in the current period. The gross margin declined due to the cost of staff involved in a CIM implementation for which the Company made only a partial recovery and the increase in Azure costs from a much more active use of the computing facilities which compressed the margin earned on that revenue.

MANAGEMENT'S DISCUSSION & ANALYSIS YEAR ENDED DECEMBER 31, 2019

Expenses:

	Three months ended December 31, 2019	Four months ended December 31, 2018	Change	
	\$	\$	\$	%
Salaries and employee benefits	812,267	1,246,699	(434,432)	(34.8)
General and administration	177,368	197,921	(20,553)	(10.4)
Sales and marketing	87,462	252,367	(164,905)	(65.3)
	1,077,097	1,696,987	(619,890)	(36.5)
Software development costs capitalized	-	(140,751)	140,751	(100.0)
Operating expenses, net of costs capitalized	1,077,097	1,556,236	(479,139)	(30.8)

Although the full-time headcount increased and that selective wage increases were granted, salary expense included in the above table declined by \$73,759 due to the current period being three months expense and the comparative one four months. In the current period, the Company allocated an additional \$75,386 to direct costs for implementation services. Lower accruals for incentives at year-end caused expense to decline by \$23,876.

Generally, general and administrative expenses declined due to three months of activity in the current quarter versus four months in the comparative period. Within this group, the costs of internal Azure platform consumption increased by \$5,606 monthly, on average, which prevented a higher decline in total expenses for this group of accounts.

In 2018, the Company paid a third-party consultant to assist in improving the effectiveness of our sales processes. There was no similar expense this period, which resulted in expense reduction of \$117,217. On a comparative basis, a reduction in trade show attendance in the fourth quarter of 2019 and reduced spending on investor relations of \$22,171 and \$13,300 respectively, further reduced sales and marketing expense.

No costs related to new software functionality were capitalized in fourth quarter of Fiscal 2019. In the last four months of 2018, costs related to the development of new modules in our CIM software were capitalized.

Other expense (income):

	Three months ended December 31, 2019	Four months ended December 31, 2018	Change	
	\$	\$	\$	%
Stock based compensation	119,763	92,161	27,602	29.9
Amortization of intangible assets	102,493	83,476	19,017	22.8
Depreciation of property and equipment	6,137	5,076	1,061	20.9
Revaluation of contingent consideration	-	1,027	(1,027)	(100.0)
Interest income	(78,210)	(9,926)	(68,284)	100.0
Other income	-	(10,000)	10,000	100.0
Foreign exchange loss	14,671	17,365	(2,694)	(15.5)
	164,854	179,179	(14,325)	(8.0)

Stock compensation expense increased as the fair value of a stock option increased commensurate with the increase in the price of the Company's shares on the stock exchange and due to more stock options having been granted than in the comparative period.

Amortization of intangible assets increased as the software developed this year and last has been commercially released and is now being amortized.

Interest income increased in 2019 due to a portion of the proceeds of the share issuance in April 2019 being invested into short-term, interest bearing certificates.

Other income received in 2018 was a cash prize from being named the winner for outstanding achievement in energy and environmental innovation by the AsTech Foundation in Alberta, Canada. No similar awards were received this year.

Net loss

In the current quarter, revenue and gross profit declined by \$3,006,427 and \$3,143,426, respectively. Expenses declined by \$232,820 resulting in the net loss for the fourth quarter being \$1,120,099, a reduction of \$2,910,607 from the net income of \$1,790,508 recorded in the four months ended December 31, 2018.

FINANCIAL CONDITION & LIQUIDITY

	12 months ended	Ten months		Change
	December 31, 2019	ended December		
	\$	31, 2018	\$	%
Net (loss) income	(3,605,930)	294,780	(3,900,710)	(1,323.3)
Items not involving cash	1,070,571	675,457	395,114	58.5
Funds (used in) provided by operations	(2,535,359)	970,237	(3,505,596)	(361.3)
Working capital changes	2,711,125	(2,742,064)	5,453,189	(198.9)
Cash provided by (used in) operating activities	175,766	(1,771,827)	1,947,593	(109.9)
Cash flow provided by financing activities	8,437,889	668,050	7,769,839	1,163.1
Cash flow used in investing activities*	(122,099)	(541,852)	419,753	(77.5)
Effect of foreign exchange rate fluctuation in OneSoft U.S. operation	5,055	-	5,055	100.0
Net change in cash	8,496,611	(1,645,629)	10,142,240	(616.3)
Cash, beginning of period	2,015,428	3,661,057	(1,645,629)	(44.9)
Cash and short-term investments, end of period	10,512,039	2,015,428	8,496,611	421.6

On April 25, 2019, the Company closed a bought-deal financing by way of a short form prospectus and issued 11,500,000 common shares at \$0.80 per share to raise gross proceeds of \$9,200,000. The Financing was underwritten by Clarus Securities Inc., as lead underwriter and sole bookrunner, on behalf of a syndicate of underwriters that also included Cormark Securities Inc. and Beacon Securities Limited. The underwriters received cash commissions of \$552,000 and 600,000 broker warrants, each of which entitle the holder to purchase one common share at a price of \$1.00 and which expire April 25, 2020. Expenses related to the Financing were \$838,111. The net proceeds were \$8,361,889 and will be used by the Company to accelerate new product development, marketing and sales initiatives, working capital and general corporate purposes.

In the year ended December 31, 2019, 416,666 stock options were exercised to acquire the same number of shares generating \$76,000 in proceeds.

In 2019, the Company consumed cash of \$2,535,359 in operations before working capital changes, after the net loss of \$3,605,930 was adjusted for \$1,070,571 in non-cash expenses. This was a decrease of \$3,505,596 from the cash generated in the ten months ended December 31, 2018. Favourable changes in working capital accounts generated cash of \$2,711,125. This sum included accounts receivable reducing by \$1,655,149, primarily from collecting the fees of a software development project completed in December 2018. Deferred revenue increased by \$2,343,847 from customer payments for new contracts to use CIM and decreased by \$1,347,776 due to CIM usage by customers and the subsequent transfer of revenue from deferred to earned. In summary, the Company generated \$175,766 from Operations, an improvement of \$1,947,593 from the cash of \$1,771,827 consumed in the ten months ended December 31, 2018.

The Company invested \$122,099 into new equipment and capitalized software development.

In the year ended December 31, 2019, cash resources increased by \$8,496,611 and cash and short-term investments totaled \$10,512,039 on December 31, 2019.

Due to the capital raise from the April 2019 Financing, the Company believes it has sufficient cash to expand the breadth of its software products, hire staff needed to improve results in key areas of the Company (such as increasing the customer base and growing revenues) and overall, to increase Company and shareholder value in accordance with its business plan.

Total Assets

Total assets of the Company as at December 31, 2019 were \$11,944,103 an increase of \$6,513,437 from assets of \$5,430,666 as at December 31, 2018. Cash and short-term investments increased \$8,496,611 primarily due to the April 2019 issuance of new shares which generated net cash of \$8,361,889. Accounts receivable reduced by \$1,703,228 from customer payments, primarily arising from a development project completed in December 2018 and collected in 2019. The carrying value of the Company's intangible assets and equipment decreased by \$285,797 due to amortization of \$407,274 and it increased by \$101,974 due to software development costs which were capitalized.

Total Liabilities

Total liabilities increased from \$1,409,910 as at December 31, 2018 to \$2,407,526 as at December 31, 2019. Deferred revenue increased by \$2,343,847 due to new contracts for CIM usage being signed and it decreased by \$1,347,776 as CIM usage was recognized in revenue. Foreign exchange translation further reduced deferred revenue by \$59,248 due to the decrease in the U.S. dollar foreign exchange rate. Accounts payable increased by \$72,073 over last year due to higher outstanding balances with vendors reflecting the increased business activity level.

Commitment

The Company is committed to pay minimum royalties of U.S. \$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 December 31, 2019, royalties of \$145,394 were expensed of which \$116,771 has been paid.

Related party transactions

In the period, the Company expensed \$242,143 (December 31, 2018 - \$240,800) in respect of contractual management fees and incentives paid to a company owned by Dwayne Kushniruk, CEO. No other compensation was paid directly to him. On December 31, 2019, \$167,945 (December 31, 2018 - \$136,569) 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 March 24, 2020, the Company had outstanding:

- 113,810,813 common shares,
- 9,300,001 stock options with an average strike price of \$0.34 and an average remaining life of 2.1 years. Of these, 7,583,341 are exercisable at an average strike price of \$0.28.
- 600,000 share purchase warrants with an average strike price of \$1.00 and which expire April 25, 2020.

RISKS AND UNCERTAINTIES

OneSoft is subject to business and economic risks including:

OneSoft's business may be disrupted due to volatile oil prices and Covid-19 Virus pandemic

OneSoft business operations may be disrupted by the currently depressed oil price and the Covid-19 virus epidemic that emerged in early 2020. Prolonged low oil and gas prices could negatively impact our clients' business operations and result in curtailed capital and operational expenditures, including delay or cancellation of investments to replace currently used integrity management processes and technology. This could reduce OneSoft's opportunities to sell its solutions.

With respect to ongoing Covid-19 virus pandemic, business disruption is expected to be significant for our clients and prospective customers for some unknown period of time. Our clients and prospective customers have recently implemented policies to mitigate potential employee health risks by having employees work remotely rather than in company offices, restrict business travel and reduce face-to-face meetings with vendors. While we can conduct sales meetings with prospective new customers and service existing clients using telephone, on-line and video conferencing, these communication alternatives may not be effective in engaging new customers, which could result in delayed purchase decisions and expansion of current business projects. This could delay sales and growth in sales to new customers and current clients, respectively. The extent or timeframe of this business disruption cannot be known with certainty at this time.

The Company's products are new and different from current industry solutions and may not gain enough acceptance

Machine learning, predictive analytics and other data science applications are relatively new technologies which the Company believes can be used to improve the safety of oil and gas pipelines. While the Company believes that such applications may potentially render very favourable results, there can be no assurance that such applications will be successful, or that the Company's potential customers will adopt these new technologies, products and/or practices. Failure of potential customers to adopt these new technologies and products could materially reduce the Company's potential revenue.

Demand for the Company's products is unknown as potential customers may choose to continue to use legacy solutions or alternative technology/solutions. Pipeline operators may currently be using technologies, processes and procedures which they may consider to be adequate to address the guidelines and regulations that govern the safe operation of oil and gas pipelines. While the Company believes the value proposition of its new cloud technology and products is compelling, there can be no assurance that potential customers will adopt the Company's products or be willing to change their current practices. Accordingly, the addressable market as estimated by the Company may not develop as anticipated.

The introduction of new products or new technologies could render the Company's products and/or the Company's future products that are currently being planned or developed obsolete. The computer software industry, particularly regarding new machine learning, cloud and data science technologies, is undergoing rapid and constant change, and new technologies, equipment and processes are being introduced to the pipeline industry on a regular basis. The Company believes it must bring its

products to market on a rapid timeline to ensure its software applications are not rendered obsolete or inferior by potentially more efficient and effective competitive products, or otherwise lose market opportunity because of superior products which may be developed and marketed by competing vendors. Such events could materially reduce or eliminate the total addressable market estimated by the Company.

The Company's pricing model is different from current industry practices and may not be accepted by the industry

There is no guarantee that the Company will be able to sell its products and services at the prices anticipated by the Company. There can be no assurance that our pricing models will be acceptable to and be embraced by our prospective customers. While the Company currently believes its fees and pricing structures are reasonable with respect to revenue assumptions, there can be no assurance that the Company's current pricing model will not need to be altered in the future, and that such potential changes may materially alter the Company's current estimate of the revenue it can earn from its addressable market. Additionally, new competitors could enter and compete in the Company's intended marketplace. Any or all these factors could materially alter the Company's current estimate of its total addressable market and the revenue it can generate from it.

Future planned functionality enhancements may not be feasibly marketable

Planned future enhancements to the Company's products may not be sufficiently compelling to potential customers, which could prevent the Company from attaining its planned future pricing structure and materially alter the Company's current estimate of its addressable market and related potential revenue.

The Company has disclosed its intention to develop its products and continue to improve CIM functionality and it is the Company's belief that customers will be willing to pay higher prices for this additional functionality. There can be no assurance that prospective customers will find such future functionality to be sufficiently compelling to warrant the higher pricing. Additionally, the Company may ultimately determine that it may be uneconomic to pursue subsequent development if the current version of the product is not purchased in enough numbers by customers. Any of these factors may cause the Company to not pursue the development and sales of its planned products, or not to continue to provide their availability, which could materially reduce the Company's current estimate of and generation of revenue.

The Company's reliance on the Microsoft cloud platform and services

Management believes that the Company currently has a degree of competitive advantage because it was an early adopter of Microsoft's cloud platform and services commencing in 2011, and it was a participant in Microsoft Venture's first Accelerator program for Machine Learning and Data Science involving big data. Microsoft is working collaboratively with the Company to assist with the introduction, marketing and sale of our products to selected enterprise level customers within the USA and other parts of the world. There can be no assurance that other software vendors will not develop competing products to the Company's that are also based on Microsoft's cloud platform and services, and/or on competing cloud technology platforms. Risks associated with the Company's reliance upon Microsoft include Microsoft increasing its rates for its cloud platform and services that power the Company's products, which might render the Company's products uncompetitive because of high cost; and the possibility that Microsoft may elect to work with other software vendors so they can compete with the Company. Potential changes to Microsoft's current cloud platform and services pricing model, or a reduction in the level of support that Microsoft is currently providing to assist the Company to advance its business, could materially alter the Company's current estimate of and generation of future revenue.

Personnel and Key Employee risks

The Company is reliant on its ability to retain current personnel and attract future employees who have specialized knowledge and expertise pertaining to technology development, data sciences, sales, marketing and servicing of products for oil and gas pipeline customers. There can be no assurance that the Company will be able to replace current employees or hire new employees in the future who have the specialized knowledge that is required to advance our business. The Company's potential inability to replace current skillsets and expertise and/or expand our teams to accommodate growth in a timely manner could materially alter the Company's current estimate of market size and generation of revenue therefrom.

The Company has entered into employment agreements with its officers and other key employees. OneSoft's operational success depends strongly on the abilities and experience of its executive officers and other key employees. Competition for highly skilled management, technical, research and development, and other key employees is significant in the software industry, and the loss of key employees could disrupt operations and impair the Company's ability to compete effectively. As part of our software offerings, we provide services that require highly specialized knowledge regarding Microsoft Cloud, software training, end-user support, and the determination of best practices. There can be no assurance that the Company will retain its key personnel, or in the event of a key person leaving the Company, that a suitable replacement will be found in a timely manner.

Our business could be harmed if we fail to manage our growth effectively

Our growth will place a significant strain on our managerial, administrative, operational, financial and other resources. We intend to further expand our overall business, including headcount, with no assurance that our revenues will continue to grow. As we grow, we will be required to continue to improve our operational and financial controls and reporting procedures and we may

not be able to do so effectively. As such, we may be unable to manage our expenses effectively in the future, which may negatively impact our gross profit or operating expenses. We are also subject to the risks of over-hiring and/or overcompensating our employees and over-expanding our operating infrastructure.

OneSoft's products are not without risk, as customers may choose to continue to use legacy solutions

Technological change often occurs at a rate that exceeds the pace at which customers are willing to adopt and pay for better ways to address their requirements. If the general market acceptance of our new products is too slow to develop, OneSoft may have to be financed by investors with additional capital until cash generated by operations renders OneSoft into an economically viable company. Funding initiatives may be highly dilutive or may be disadvantageous to current shareholders in other ways.

Risks regarding a patent of the Company's intellectual property and dependence on Intellectual Property Rights:

The Company's success and ability to compete may be enhanced by effective copyright, trade secret, and trademark law to protect its technology and the technology licensed to it by third parties; however, the Company may or may not be successful in being granted a patent or patents should it apply for them and effective trademark protection may not be available for the Company's intellectual property, trademarks or the trademarks licensed by it. The lack of a patent may make the Company's products vulnerable to being copied or infringed upon by a competitor and may negatively impact the ability of the Company to compete effectively in its addressable markets. If the Company is successfully awarded a patent or patents, it will be necessary to reveal certain details regarding the Company's technology and intellectual property secrets, which could introduce additional risks associated with competitors who may not respect patent protection rights or may otherwise not be bound by patent protection rights because of the geographic location they operate from. Any or all these factors could materially alter the Company's current estimate of its market and its generation of revenue therefrom and there can be no assurance that misappropriation of our technology, trade dress or agreements entered into for that purpose will be enforceable.

Better-capitalized companies could negatively impact OneSoft's financial results of operations

Other corporations with considerable financial resources may have the ability to encroach on our competitive position within our chosen marketplace or compete successfully with our products and services by providing better marketing, services or support for clients. They may introduce applications that compete with our products and services and their larger sales volumes may allow them to reduce prices to levels that are uneconomic to us. Any significant adverse effect on our revenue or cost structure may materially affect our financial position.

Investment in our current research and development efforts may not provide a sufficient, timely return

The development of new software products and strategies is a costly, complex and time-consuming process, and the investment in software product development often involves a prolonged time until a return is achieved on such an investment. We have made, and will continue to make, significant investments in software development and related product opportunities. Investments in new products are inherently speculative and risky. Commercial success depends on many factors including the degree of innovation of the products developed, sufficient support from our strategic partners, and effective distribution and marketing. Accelerated product introductions and short product life cycles require high levels of expenditures for new development. These expenditures may adversely affect our operating results if they do not generate revenue increases. We believe that we must continue to dedicate a significant amount of resources to our development efforts in order to maintain our competitive position; however, significant revenue from new product and service investments may not be achieved for a prolonged period, if at all.

Current and future competitors could have a significant impact on our ability to generate future revenue and profits

The markets for our products are intensely competitive and are subject to rapid technological change and other pressures created by changes within our industry. We expect competition to increase and intensify in the future as additional companies enter our markets, including competitors who may offer similar solutions but provide them through different means. We may not be able to compete effectively with current competitors and potential entrants into our marketplace. We could experience diminished market share if our current or prospective competitors introduce new competitive products; add new functionality to existing products, acquire competitive products, reduce prices, or form strategic alliances with other companies. If competitors were to engage in aggressive pricing policies with respect to their products, or if the dynamics in our marketplace resulted in increasing bargaining power by the consumers of our products and services, we might need to lower the prices we charge for the products we offer. This could result in lower revenues or reduced margins, either of which may materially and adversely affect our business and operating results.

We may become involved in legal matters that may materially adversely affect our business

From time to time in the ordinary course of our business, we may become involved in various legal proceedings, including commercial, product liability, employment, class action and other litigation and claims, as well as governmental and other regulatory investigations and proceedings. Such matters can be time-consuming, divert management's attention and resources

and cause us to incur significant expenses. Furthermore, because litigation is inherently unpredictable, and can be very expensive, the results of any such actions may have a material adverse effect on our business, operations or financial condition.

Cybersecurity risks may not be fully mitigated

The Company stores all its information, software applications, customer data and internal financial system on remote servers in the Microsoft Azure Cloud Platform. The Company provides customers access to the software applications housed on those remote servers using online ID and password systems. Each employee of the Company has a personal computer on which certain Company information is stored. All computers are protected by antivirus software, multi-factor authentication, the use of personal IDs and passwords and other means to prevent unauthorized access. The Azure platform is continually tested by Microsoft and it is always in compliance with the very latest and highest level of computer industry security certifications and Microsoft provides guidance to its customers to allow them to adopt these same protections and comply with very high cyber security standards. The Company places a high reliance on those certifications to protect the data it stores on those servers. Despite those protections, the Company acknowledges it may be susceptible to a cybersecurity attack by determined activists which could potentially lead to the loss of sensitive data and the loss of customers and the related revenue they pay to the Company, and / or cause the Company to suffer remediation costs which could be very expensive or perhaps fatal to the Company. There can be no assurance that Company security policies would be effective to ward off all threats to its cybersecurity protections.

If our software contains serious errors or defects, we may lose revenue and market acceptance

Software such as ours may contain errors, defects, security vulnerabilities or software bugs that are difficult to detect and correct, particularly when first introduced or when new versions or enhancements are released. Despite internal testing, our platform may contain serious errors or defects, security vulnerabilities or software bugs that we may be unable to successfully correct in a timely manner or at all, which could result in lost revenue, significant expenditures of capital, a delay or loss in market acceptance and damage to our reputation and brand, any of which could have an adverse effect on our business, financial condition and results of operations.

Since our customers use our services for processes that are important to their businesses, errors, defects, security vulnerabilities, service interruptions or software bugs in our platform could result in losses to our customers. Our customers may seek significant compensation from us for any losses they suffer or cease conducting business with us altogether. Further, a customer could share information about bad experiences on social media, which could result in damage to our reputation and loss of future sales. There can be no assurance that provisions typically included in our agreements with our customers that attempt to limit our exposure to claims would be enforceable or adequate or would otherwise protect us from liabilities or damages with respect to any particular claim. Even if not successful, a claim brought against us by any of our customers would likely be time-consuming and costly to defend and despite insurance policies we carry to protect against such damaging costs, could seriously damage our reputation and brand, making it harder for us to sell our solutions.

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:

	December 31, 2019	December 31, 2018
	\$	\$
Financial assets		
Cash and cash equivalents	6,965,916	2,015,428
Short term investments at amortized cost	3,546,123	-
Trade and other receivables	52,949	1,756,177
	<u>10,564,988</u>	<u>3,771,605</u>
	December 31, 2019	December 31, 2018
	\$	\$
Financial liabilities		
Accounts payable and accrued liabilities	767,647	706,854

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.

	December 31, 2019	December 31, 2018
	\$ (USD)	\$ (USD)
Cash and cash equivalents	804,412	1,140,785
Trade and other receivables	30,967	1,279,382
Accounts payable and accrued liabilities	(165,421)	(181,748)
Total exposure	669,958	2,238,419

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
	\$	\$
December 31, 2019	8,115	8,115
December 31, 2018	4,102	4,102

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, 2018: +/- 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

MANAGEMENT'S DISCUSSION & ANALYSIS YEAR ENDED DECEMBER 31, 2019

December 31, 2019, approximately 92.8% (December 31, 2018 – 92.2%) of the Company's cash balances were held in interest bearing bank balances and fixed interest rate GICs.

	Profit	Equity
	\$	\$
December 31, 2019	73,257	73,257
December 31, 2018	20,954	20,954

16.2.3 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:

	December 31, 2019	December 31, 2018
	\$	\$
Classes of financial assets - carrying amounts:		
Cash and cash equivalents	6,965,916	2,015,428
Short-term investments	3,546,123	-
Trade and other receivables	52,949	1,756,177
Carrying amount	10,564,988	3,771,605

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:

	December 31, 2019		
	Gross trade and other receivables	Allowance for doubtful accounts	Net trade and other receivables
	\$		\$
Current	35,481	-	35,481
Past due 30 to 60 days	17,468	-	17,468
Total	52,949	-	52,949
	December 31, 2018		
	Gross trade and other receivables	Allowance for doubtful accounts	Net trade and other receivables
	\$		\$
Current	1,642,981	-	1,642,981
Past due 30 to 60 days	17,048	-	17,048
Past due more than 90 days	96,148	-	96,148
Total	1,756,177	-	1,756,177

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 December 31, 2019 - \$767,647 (December 31, 2018 - \$706,854).

The Company considers cash flows from financial assets of \$10,564,988 (December 31, 2018 - \$3,771,605) 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 year ended December 31, 2019 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

Standards issued and adopted by the Company in the current period:

IFRS 16 - Leases

IFRS 16 replaces IAS 17 "Leases", along with the Interpretations IFRIC 4 "Determining whether an arrangement contains a lease", SIC 15 "Operating Leases Incentives" and SIC 27 "Evaluating the Substance of Transactions Involving a Legal Form of a Lease".

The new standard has been applied using the modified retrospective approach, with the cumulative effect of adopting IFRS 16 being recognized in equity as an adjustment to the opening balance of the deficit for the current year.

The Company has applied the following practical expedient on the date of initial application:

- For contracts in place at the date of initial application, the Company has elected to apply the definition of a lease from IAS 17 and IFRIC 4 and has not yet applied IFRS 16 to arrangements that were previously not identified as a lease under IAS 17 and IFRIC 4.

The resulting impact to the opening deficit was \$nil, and \$nil additions to right-of-use assets as at January 1, 2019. As at December 31, 2018, the Company had \$nil operating lease commitments, as disclosed in the December 31, 2018 consolidated financial statements.

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.

	Year ended December 31, 2019	Ten months ended December 31, 2018
	\$	\$
Net (loss) income	(3,605,930)	294,780
Add (subtract):		
Depreciation and amortization	407,360	221,933
Stock based compensation	663,211	386,510
Interest income	(147,415)	-
Adjusted EBITDA	(2,682,774)	903,223

ADVISORY REGARDING FORWARD LOOKING INFORMATION

This MD&A, the audited consolidated Financial Statements for the year ended December 31, 2019 and the audited consolidated Financial Statements dated December 31, 2018 (the "2019 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 Fiscal year ended December 31, 2019", "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 2019 Reporting Documents and are subject to risks which are described on page 19 of this MD&A and in the Company's public filings on the Canadian Securities Administrators' website at 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 2019 Reporting Documents is qualified by these cautionary

statements. Although the forward-looking information contained these 2019 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 2019 Reporting Documents.

The forward-looking statements contained in the 2019 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.