



Consolidated Financial Statements

For the ten months ended December 31, 2018 and year ended February 28, 2018

OneSoft Solutions Inc.

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Ten months ended December 31, 2018 and year ended February 28, 2018

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Independent Auditor's Report

To the Shareholders of OneSoft Solutions Inc.

Opinion

We have audited the consolidated financial statements of OneSoft Solutions Inc. ("the Company"), which comprise the consolidated statements of financial position as at December 31, 2018, and February 28, 2018 and the consolidated statements of comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the period ended December 31, 2018 and year ended February 28, 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements, present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2018 and February 28, 2018, and its consolidated financial performance and its consolidated cash flows for the period ended December 31, 2018 and year ended February 28, 2018 then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the Management Discussion and Analysis and Management Information Circular but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Meghan DeRoo McConnan.

Edmonton, Canada

March 25, 2019



Chartered Professional Accountants

OneSoft Solutions Inc.
Consolidated Statements of Financial Position

	Notes	December 31, 2018 \$	February 28, 2018 \$
Assets			
Current assets			
Cash and cash equivalents	5	2,015,428	3,661,057
Trade and other receivables	6	1,756,177	128,679
Prepaid expenses and deposits		57,672	51,701
Current assets		<u>3,829,277</u>	<u>3,841,437</u>
Non-current assets			
Property and equipment	7	21,172	23,322
Intangible assets	8	1,424,524	1,102,455
Goodwill	10	155,693	155,693
Total assets		<u>5,430,666</u>	<u>5,122,907</u>
Liabilities and equity			
Current liabilities			
Accounts payable and accrued liabilities		706,854	365,070
Deferred revenue	11	703,056	2,153,435
Current liabilities		<u>1,409,910</u>	<u>2,518,505</u>
Non-current liabilities			
Contingent consideration	12	-	430,587
Total liabilities		<u>1,409,910</u>	<u>2,949,092</u>
Shareholders' equity			
Share capital	13	9,269,768	7,887,931
Warrants	13	-	121,248
Contributed surplus		1,191,051	920,348
Deficit		(6,440,063)	(6,755,712)
Total equity		<u>4,020,756</u>	<u>2,173,815</u>
Total liabilities and equity		<u>5,430,666</u>	<u>5,122,907</u>

Approved on behalf of the Board of Directors

Signed "Dwayne Kushniruk" Director

Signed "Doug Thomson", Chair

OneSoft Solutions Inc.
Consolidated Statements of Comprehensive Income (Loss)

	Notes	Ten months ended December 31, 2018 \$	Year ended February 28, 2018 \$
Revenue	14	4,327,845	1,005,045
Direct costs		185,183	94,655
Gross profit		4,142,662	910,390
Operating expenses			
Salaries and employee benefits		2,809,155	2,385,019
Sales and marketing		466,545	291,575
General and administration		437,432	396,258
Stock-based compensation	13	386,510	445,367
Amortization of intangible assets	8	208,077	367,960
Depreciation of property and equipment	7	13,856	17,344
Impairment of intangible assets	8	-	254,601
Operating expenses		4,321,575	4,158,124
Software development costs capitalized	8	(519,599)	(473,791)
Operating expenses net of cost capitalization		3,801,976	3,684,333
Operating income (loss)		340,686	(2,773,943)
Revaluation of contingent consideration	12	(67,014)	(41,386)
Loss on disposal of capital assets	7	-	(1,785)
Impairment of goodwill	10	-	(51,898)
Other income (expense)		21,108	(11,428)
		(45,906)	(106,497)
Income (loss) before income taxes		294,780	(2,880,440)
Income tax expense (recovery)			
Current	9	-	-
Deferred	9	-	-
Income tax expense (recovery)		-	-
Comprehensive income (loss)		294,780	(2,880,440)
Comprehensive income (loss) per share, basic and diluted	15		
Basic		0.00	(0.03)
Diluted		0.00	(0.03)
Weighted average number of shares	15		
Basic		100,725,415	83,903,766
Diluted		105,119,551	83,903,766

See accompanying notes to the consolidated financial statements

OneSoft Solutions Inc.
Consolidated Statements of Changes in Equity
Ten months ended December 31, 2018 and Year ended February 28, 2018

	Note	Common		Warrants		Contributed		Total
		Shares	Share Capital	#	\$	Surplus	Deficit	
		#	\$	#	\$	\$	\$	\$
Balance, February 28, 2017		67,581,148	3,670,497	32,679,666	839,165	487,287	(3,875,272)	1,121,677
Share issuance costs		-	(4,640)	-	-	-	-	(4,640)
Exercises of warrants								
for shares	13	28,479,333	4,191,435	(28,479,333)	(717,917)	-	-	3,473,518
Exercise of stock options	13	163,333	30,639	-	-	(12,306)	-	18,333
Stock-based compensation	13	-	-	-	-	445,367	-	445,367
Comprehensive loss		-	-	-	-	-	(2,880,440)	(2,880,440)
Balance, February 28, 2018		96,223,814	7,887,931	4,200,333	121,248	920,348	(6,755,712)	2,173,815
Contingently issued shares								
released from escrow	12	-	497,601	-	-	-	-	497,601
Exercises of warrants								
for shares	13	4,200,333	688,298	(4,200,333)	(121,248)	-	-	567,050
Exercise of stock options	13	600,000	195,938	-	-	(94,938)	-	101,000
Stock-based compensation	13	-	-	-	-	365,641	20,869	386,510
Comprehensive income		-	-	-	-	-	294,780	294,780
Balance, December 31, 2018		101,024,147	9,269,768	-	-	1,191,051	(6,440,063)	4,020,756

See accompanying notes to the consolidated financial statements

OneSoft Solutions Inc.
Consolidated Statements of Cashflows

		Ten months ended December 31, 2018 \$	Year ended February 28, 2018 \$
Operating activities			
Comprehensive income (loss)		294,780	(2,880,440)
Items not involving cash:			
Amortization of intangible assets	8	208,077	367,960
Depreciation of property and equipment	7	13,856	17,344
Stock-based compensation	13	386,510	445,367
Fair value increase of contingently issued shares	12	67,014	41,386
Impairment of intangible assets	8	-	254,601
Impairment of goodwill	10	-	51,898
Loss on disposal of property and equipment	7	-	1,785
Comprehensive income (loss) adjusted for non-cash items		970,237	(1,700,099)
Cash flow (to) from working capital accounts:			
Trade and other receivables		(1,627,498)	54,822
Income taxes receivable		-	63,511
Prepaid expenses and deposits		(5,971)	(17,293)
Accounts payable and accrued liabilities		341,784	33,370
Deferred revenue		(1,450,379)	2,153,435
Changes in non-cash working capital accounts		(2,742,064)	2,287,845
Cash flow (used in) provided by operating activities		(1,771,827)	587,746
Financing activities			
Exercise of warrants	13	567,050	3,468,877
Exercise of stock options	13	101,000	18,333
Cash flow provided by financing activities		668,050	3,487,210
Investing activities			
Trademark registration and purchase of software	8	(10,547)	(14,828)
Purchase of equipment	7	(11,706)	(17,554)
Software development costs capitalized	8	(519,599)	(473,791)
Cash flow used in investing activities		(541,852)	(506,173)
Net change in cash and cash equivalents		(1,645,629)	3,568,783
Cash and cash equivalents, beginning of period		3,661,057	92,274
Cash and cash equivalents, end of period		2,015,428	3,661,057
Supplementary cash flow information			
Cash income tax recovered		-	63,511
Interest received		27,201	768

See accompanying notes to the consolidated financial statements

OneSoft Solutions Inc.
Notes to the Consolidated Financial Statements
Ten months ended December 31, 2018 and Year ended February 28, 2018

1.0 Nature of operations

OneSoft Solutions Inc. (the “Company”) is a public company incorporated in Alberta and its common shares trade on the TSX Venture Exchange under the symbol “OSS” and on the OTCQB market in the USA under “OSSIF”. It has its corporate office at Suite 4227, 10230 Jasper Avenue, Edmonton, Alberta, Canada T5J 4P6. The Company conducts its operations through its wholly owned and controlled subsidiaries, OneBridge Solutions Inc. (“OBS”) and OneBridge Solutions, Inc. (“OBS USA”). The Company also owns OneCloudCo Limited (“OCC”) and CloudCo Solutions Inc. (“CCS”).

OBS was incorporated in Alberta on June 16, 2015. It provides software services to the oil and gas pipeline industry consisting of cognitive software solutions incorporating machine learning, predictive analytics and other data sciences techniques. OBS owns the net assets purchased from Bridge Solutions Inc. in July 2015 (note 12).

OBS USA was incorporated in the State of Delaware, USA on November 19, 2015. It provides software development services to OBS and performs sales and marketing activities for OBS software in the USA.

OCC was incorporated in the State of Delaware, USA, on July 18, 2014. OCC discontinued providing software solutions to clients in July 2016. It is currently inactive.

CCS was incorporated in Alberta, Canada on July 15, 2014 and provided software development services to OCC. It is currently inactive.

2.0 Basis of presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). These consolidated financial statements present the Company’s financial position and financial results of operations as at and for the ten months ended December 31, 2018 and year ended February 28, 2018. They have been prepared and presented in accordance with IAS 1 Presentation of Financial Statements.

The significant accounting policies that have been applied in the preparation of these consolidated financial statements are summarized in note 3 below. These consolidated financial statements are reported in Canadian dollars which is the functional currency of the reporting entity, OneSoft Solutions Inc.

The Board of Directors on March 25, 2019 authorized for issuance these consolidated financial statements for the ten months ended December 31, 2018 and year ended February 28, 2018.

Change in year-end

Effective in 2018, the Company changed its financial year-end from February 28 to December 31 to align with the financial reporting of most public issuers. The change in year-end resulted in the Company filing a one-time, ten-month transition year covering the period of March 1, 2018 to December 31, 2018. Subsequent to the transition year, the Company’s financial year will cover the period January 1 to December 31.

The information presented in these consolidated financial statements includes the ten months of the current fiscal period ending December 31, 2018 as compared to the twelve-month fiscal period ending February 28, 2018. As a result, the information contained in these consolidated financial statements may not be comparable to previously reported periods.

3.0 Significant accounting policies

Basis of consolidation

These consolidated financial statements include the financial statements of the Company and its wholly-owned subsidiaries: OBS, OBS USA, OCC and CCS. Subsidiaries are entities over which the Company has control. The Company controls the entity when the Company is exposed to or has rights to variable returns from its involvement

OneSoft Solutions Inc.
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Ten months ended December 31, 2018 and Year ended February 28, 2018

with the entity and has the ability to affect those returns. All subsidiaries have the same reporting date. All intercompany transactions between the companies are eliminated. Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognized from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Revenue recognition

The Company's revenues are generated from monthly subscriptions to use the Company's software, related consulting services, software product development projects for clients and licensing of the Company's intellectual properties to third parties. Revenue comprises the fair value of the consideration received or receivable and it is shown net of tax and discounts and after eliminating sales within the group. Contracts with customers do not provide for refunds or any other rights of return of fees paid in the event of cancellation of contract.

The Company recognizes revenue to depict the transfer of promised services to clients in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services by applying the following steps:

- Identify the contract with a client;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations; and
- Recognize revenue when, or as, the Company satisfies a performance obligation.

Revenue may be earned over time as the performance obligations are satisfied or at a point in time which is when the entity has earned a right to payment, the customer has possession of the asset and the related significant risks and rewards of ownership, and the customer has accepted the asset or service.

The Company's arrangements with clients can include multiple services or performance obligations, which may consist of some or all the Company's subscription solutions and other services. When contracts involve various performance obligations, the Company evaluates whether each performance obligation is distinct and should be accounted for as a separate unit of accounting under IFRS 15, Revenue from Contracts with Customers. In the case of subscription solutions, the Company has determined that clients can benefit from the service on its own, and that the service being provided to the client is separately identifiable from other promises in the contract. Specifically, the Company considers the distinct performance obligations to be the right to access and use the subscription solution, ingestion of pipeline assessment logs into the solution and use of certain functionality in the solution for which a separate fee is charged when used. The total transaction price is determined at the inception of the contract and where a single contract price is stated, the contract price is allocated to each performance obligation based on their relative standalone selling prices.

The Company determines the standalone selling price by considering its overall pricing objectives and market conditions. Significant pricing practices taken into consideration for our subscription solutions include discounting practices, the size and volume of our transactions, our marketing strategy, historical sales and contract prices. The determination of standalone selling prices is made through consultation with and approval by management, taking into consideration our go-to-market strategy. As the Company's go-to-market strategies evolve, the Company may modify its pricing practices in the future, which could result in changes in relative standalone selling prices.

The Company generally receives payment from its clients after invoicing with normal 30-day commercial terms. In instances where timing of revenue recognition differs from the timing of invoicing and subsequent payment, we have determined our contracts generally do not include a significant financing component. Clients may pay the subscription price for the term of the contract in advance of using the services in which case the amount paid is recorded as deferred revenue and recognized as revenue when earned.

OneSoft Solutions Inc.
Notes to the Consolidated Financial Statements
Ten months ended December 31, 2018 and Year ended February 28, 2018

If a client is specifically identified as a credit risk, recognition of revenue is stopped except to the extent of fees that have already been collected.

i. Software as a Service (SaaS)

Software is provided to customers via a Software as a Service or “SaaS” subscription model which allows customers to use hosted software over a term without taking possession of the software. The parties in the contract are identified in a signed agreement which states each parties’ rights, performance obligations and payment terms. Revenue is recognized monthly over the life of the contract as the performance obligations are satisfied through the provision of access to the software and from the software functionality being applied to pipeline inspection assessments which the customer has uploaded into the software. For an additional fee, customers may choose to apply optional a-la-carte software functionality to their pipeline assessment data. The services are invoiced at the end of each month on normal commercial terms. Certain customers may choose to prepay the services for a stated period.

ii. Pilot Projects

The Company earns revenue from the conduct of Pilot Projects (also called Private Previews) with customers. Pilot Projects consist of providing access to the software for a limited period and assisting the customer to upload their pipeline assessments into the solution and providing instruction on how to operate the solution to analyze the assessments and provide reports of the condition of the pipeline and current or future corrosion threats to it. A fixed fee is generally charged, and payment is requested either in advance of the Pilot Project or it is invoiced on normal commercial terms. The intent of the Pilot Project is to familiarize the customer with the features of the solution and to induce them to adopt the solution for long term use.

iii. Consulting and software development services

Consulting services revenue arises from the provision of consulting services related to the customer’s use of the Company’s software and from software development contracts. A contract states each parties’ rights, terms of payment and each parties’ distinct performance obligations. The obligation in a software development contract is to create and provide the customer with a working software product which they can benefit from. It is at that point in time the obligation will be considered fulfilled, and the revenue recognized.

In December 2017, the Company and a major client entered into a contract to transform the client’s on-premise pipeline asset management software into a remote-access, SaaS software application to be offered to customers. The contract successfully concluded December 2018. The Company provisionally owns the software, which will become absolute provided minimum royalties of U.S. \$2.25 million are paid based on revenue generated by rights to use the components of the software in the ten-year period ended December 20, 2027. The maximum royalty that may be paid over the stated period is U.S. \$9 million, after which royalty payments will cease. The Company will sell access to components of the software to customers and provide the client access to it for an extended period at no additional charge. The client paid the Company a portion of the contractual fee at the inception of the contract and the remaining portion was invoiced on normal commercial terms when the software development concluded in December 2018. The fee was recognized in revenue when the software development concluded in December 2018.

iv. Licensing of Intellectual Property to Third Parties

The Company has licensed a portion of its pipeline integrity software to a third party for inclusion in their internal software solution for a ten-year period ending October 27, 2024. The contract may be terminated by either party at any time and it requires the third-party to pay the Company a portion of the revenue it earns from providing pipeline integrity services to its customers, subject to a minimum quarterly amount. The royalty minimum is invoiced at the end of each quarter on normal commercial terms, provided its collection is probable.

Direct costs

Direct costs classify expenses according to their function. Direct costs for pipeline software are comprised of cloud platform hosting costs, labour costs of employees and professional services subcontractors providing services to customers, and royalties due to third parties for the use of certain embedded third-party intellectual properties in the Company's software solutions. Direct costs are recognized upon the provision of the software or when incurred.

Stock-based compensation

The Company has granted stock options to employees and non-employees in varying amounts. Employee stock options generally vest one-half immediately and one-half on the anniversary date or equally per year on the anniversary date of the grant over a two or three-year vesting period. Certain stock options provided to developers vest when product development objectives are achieved. All options have a term to expiry of five years and vested options expire 90 days after the employee has left the service of the Company. Awards of stock options to non-employees result in compensation expense recognized over the shorter of the vesting or related service period.

The costs of the stock options granted to employees and non-employees are measured at their fair value on the date of option grant using the Black-Scholes Option Pricing Model, taking into account market conditions relating to the Company's shares. The cost of these options is based on the best available estimate of the number of share options expected to vest and is recognized over the related vesting period in profit or loss with a corresponding credit to contributed surplus. The vesting period for developer stock options is estimated and adjusted when the actual vesting date is known. Estimates of forfeitures are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period and no adjustment is made to prior periods if share options ultimately exercised are different to that estimated on vesting. Compensation costs related to forfeited options are reversed on the forfeiture date provided the underlying options have not vested. Contributed surplus related to stock options which expire unexercised is reclassified to deficit and remains within the equity section of the consolidated statements of financial position.

When options are exercised, proceeds, net of any directly attributable transaction costs, together with the related contributed surplus, are credited to share capital.

Interest income

Interest income and expenses are reported on an accrual basis using the effective interest method.

Income taxes

Income tax expense or recovery recognized in profit or loss represents the aggregate of the current tax and deferred tax charges or recovery. The current tax charge is based on taxable profit for the period. Taxable profit or loss differs from comprehensive income or loss before tax as reported in the consolidated statements of comprehensive income (loss) as it excludes items of income or expense that are taxable or deductible in other years or that are never taxable or deductible. Liability for current tax is calculated using tax rates that have been enacted, or substantively enacted, by the date of the statement of financial position.

Current tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date.

Deferred taxes are accounted for under the liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to the temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their respective tax bases and on the carry-forward unused tax losses and unused tax credits. Deferred tax assets are recognized to the extent that it is probable that future taxable income will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be realized.

OneSoft Solutions Inc.

Notes to the Consolidated Financial Statements

Ten months ended December 31, 2018 and Year ended February 28, 2018

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. The effect on deferred tax assets or liabilities of a change in tax rates is recognized in profit or loss, unless related to items directly recognized in comprehensive income or equity, in the period that includes the respective enactment date. Deferred tax liabilities are always provided for in full. The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of the deferred tax assets to be utilized.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as a component of tax expense or recovery in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

Comprehensive Income (loss) per share

Basic comprehensive income (loss) per share is calculated by dividing comprehensive income (loss) after tax by the weighted average number of common shares outstanding. Diluted comprehensive income (loss) per share reflects the potential dilution that would occur if stock options were exercised. The treasury method is used for outstanding options which assumes that all outstanding stock options with an exercise price below the average market price are exercised and assumed proceeds are used to purchase the Company's common shares at the average market price during the reporting period. Diluted amounts are not presented when the effect of the computation is anti-dilutive.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks and short-term investments with original maturities of three months or less.

Property and equipment

Property and equipment consists of computer equipment recorded at cost less accumulated depreciation.

Depreciation is recognized on a straight-line basis over three years as it closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Depreciation is calculated as the difference between the cost and the residual value of the assets over their expected useful lives. The useful life of an asset is the period over which the asset is expected to be available for use by the Company. The residual value of an asset is the estimated amount that the Company would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. Residual values and useful lives are reviewed annually and adjusted if appropriate.

Gains or losses arising on the disposal of property and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognized in profit or loss within other financial items.

Intangible assets

Costs directly attributable to software being made commercially available are deferred and recognized as intangible assets provided they meet all the following recognition requirements:

- Completion of the intangible asset is technically feasible so that it can be made available for sale;
- The Company has the intent and ability to complete the intangible asset and use or sell it;
- The intangible asset will generate probable future economic benefits which requires that there be a market for the sale of the right to use the intangible asset;

OneSoft Solutions Inc.

Notes to the Consolidated Financial Statements

Ten months ended December 31, 2018 and Year ended February 28, 2018

- There are adequate technical, financial and other resources to complete the development of the intangible asset; and
- The expenditure attributable to the development of the intangible asset can be measured reliably.

Development costs capitalized are those associated with our Software-as-a-Service (“SaaS”) based technology software. Costs associated with major enhancements providing new capability to the product are also capitalized provided they can be reliably measured. Development costs incurred during the research phase of an internal project are expensed in the period in which they are incurred as are all costs incurred after the asset has been commercially released for customer use. Costs associated with maintaining these intangible assets such as minor updates and repairs are expensed as incurred.

Intangible assets are accounted for using the cost model whereby once the completed product is available for use, it is amortized on a straight-line basis over its estimated finite useful life of three to five years.

Intangible assets include purchased software, which is recorded at cost and amortized on a straight-line basis over its estimated finite useful life of one to five years.

Residual values, useful lives, and impairment indicators are reviewed at each reporting date. Intangible assets are subject to annual impairment testing if they are not being amortized or if they have an indefinite useful life.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of the business combination is 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 statement of comprehensive 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.

Contingent consideration

Certain shares were issued for the acquisition of the assets and business of Bridge Solutions Inc. (note 12). The fair value of the contingent consideration was determined using the market value of the escrowed shares and a Black-Scholes Option Pricing Model taking into account market conditions relating to the Company’s shares and the expected time period before the shares will be released from escrow. The contingent consideration was remeasured each period-end using the current value of the Company’s shares and a Black-Scholes Option Pricing Model reflecting any changes in market conditions relating to the Company’s shares and the expected release date of the escrowed shares. Any increase or decrease in the revised contingent consideration was recorded in the statement of comprehensive income (loss) (note 12).

Provisions

Provisions are recognized when present obligations as a result of a past event lead to a probable outflow of economic resources from the Company and amounts can be estimated reliably. Timing or exact amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events. Restructuring provisions are recognized only if a detailed formal plan for the restructuring has been developed and implemented, or management has at least announced the plan's main features to those affected by it. Provisions are not recognized for future operating losses.

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Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset; however, this asset may not exceed the amount of the related provision.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. In those cases, where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized, unless it was assumed in the course of a business combination.

Financial instruments

The Company recognizes financial assets and financial liabilities when it becomes a party to the contractual provisions of a financial instrument. These are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities other than financial assets and financial liabilities at fair value through profit or loss are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets and financial liabilities are subsequently measured as described below.

i. Financial assets

After initial recognition and measurement, financial assets are classified into the following categories: amortized cost, fair value through other comprehensive income (“FVOCI”) and fair value through profit and loss (“FVPL”). The classification is determined by two factors; the company’s business model and the characteristics of the contractual cashflows generated by the instrument.

Financial assets at amortized cost

A financial asset is measured at amortized cost if the contractual cashflows to repay the principal and interest are made at specific dates and if the Company’s business model is to collect the contractual cashflows.

Financial assets at amortized cost are subsequently measured using the effective interest rate (“EIR”) method and are subject to impairment. Discounting is omitted where the effect of discounting is immaterial. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Company’s financial assets at amortized cost include, cash and cash equivalents and trade and other receivables.

Financial assets at fair value through other comprehensive income (FVOCI)

A financial asset is measured at FVOCI if the Company’s business model is both to collect the contractual cashflows and sell assets and the contractual terms of the assets give rise to specified dates for cashflows that are solely repayments of principal and interest.

The Company does not have any financial assets measured at FVOCI.

Financial asset at FVPL

A financial asset is measured at FVPL if it cannot be measured at amortised cost or FVOCI. However, at initial recognition the Company can make an irrevocable election to initially recognise certain investments in equity instruments that would otherwise be measured at FVPL to present subsequent changes in FVOCI. Under IFRS 9 Financial Instruments, the Company also has the option to designate a financial asset at FVPL if doing so reduces or eliminates a recognition or measurement inconsistency.

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The Company does not have any financial assets measured at FVPL.

Derecognition of financial assets

A financial asset is derecognised when the Company no longer has the rights to the contractual cashflows due to expiration of that right or the transfer of the risks and rewards of ownership to another party.

Impairment of financial assets

Under IFRS 9, the Company adopted a new impairment approach which requires calculating the expected credit losses ("ECL"). The intent of this approach is an earlier recognition of ECL as opposed to when they are incurred. The Company adopted the simplified approach which determines life time ECL after initial recognition on trade and other receivables, contract assets and lease receivables

At each reporting date, the Company assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Company uses the change in the risk of a default occurring over the expected life of the financial instrument instead of the change in the amount of expected credit losses. To make that assessment, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition. Under IFRS 9, cash and cash equivalents and trade and other receivables are subject to impairment testing unless their ECL was immaterial.

ii. Financial liabilities

Loans and borrowings

The Company's loans and borrowings consist of accounts payable and accrued liabilities. After initial recognition, loans and borrowings are measured subsequently at amortized cost using the effective interest method. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at fair value through profit or loss.

Contingent purchase consideration

The Company measures fair value changes in purchase consideration as an acquirer in the post measurement period through the profit and loss as required under IFRS 9. Please see note 12.

Derecognition of financial liabilities

The Company derecognises financial liabilities when the contract is discharged, expired or cancelled.

Impairment testing of long-lived assets

For the purposes of testing for impairment, where the recoverable amount of an asset cannot be determined, the asset is grouped into a cash generating unit ("CGU") which is the lowest level for which there is independent cash inflows. This results in certain assets being tested for impairment individually and others being tested at the CGU level. The Company has determined that it has only one CGU. An impairment loss is recognized when the carrying value of the individual asset or CGU exceeds its recoverable amount, which is the higher of fair value less costs of disposal and value-in-use. Value-in-use is determined by discounting the estimated future cash flows of each asset or CGU by an appropriate interest rate to yield the present value. Future cash flows are derived from the Company's latest approved budget, adjusted as necessary to exclude non-repetitive and one-time expenses. Discount factors are determined individually for each CGU reflecting their respective risk profiles.

Impairment losses for CGU's reduce the carrying amount of any goodwill allocated to that CGU with any remaining impairment loss charged pro rata to the remaining CGU assets. With the exception of goodwill, impairment losses charged to assets may be reversed when future impairment tests state that the CGU's recoverable amount exceeds its carrying amount.

Determination of value of shares and warrants issued in private placement

The Company uses the residual method to determine the fair value of shares and warrants issued as Units in a Private Placement. The Company measures the value of warrants by reference to the fair value of the equity instruments at the date at which they are granted. Fair value is determined using the Black-Scholes Option Pricing model which requires estimating the inputs to the model such as the expected life of the warrants, the historical share price volatility, expected dividend yield, risk-free interest rate and making assumptions thereon. Changes in the subjective input assumptions can materially affect the fair value estimate. The fair value of the warrants is subtracted from the issue price of the Units to determine the value of the shares issued in the Private Placement. The value of warrants not exercised is transferred to share capital upon expiry.

Foreign currency translation

The individual financial statements of each entity are maintained in their functional currency which is the currency of the primary economic environment in which the entity operates. These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the parent company.

In preparing the financial statements of the individual entities, foreign currency transactions are translated into the functional currency of the respective entity using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses arising from the settlement of such transactions and from the remeasurement of monetary items at period-end exchange rates are recognized in profit or loss. Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction and are not retranslated. Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

OCC is a foreign subsidiary which has the Canadian dollar as its functional currency. Under IFRS, all assets and liabilities of the foreign operations are translated into Canadian dollars at the period-end exchange rate. Revenues and expenses are translated at the rate in effect on the date of the transaction using the average rate as a method of approximation. The resulting unrealized gains or losses are included in comprehensive income (loss).

OBS USA is a foreign subsidiary which had the Canadian dollar as its functional currency until December 31, 2018. Due to transactions occurring in 2018 which resulted in a change in the underlying conditions which had previously determined its functional currency, Management re-evaluated the functional currency, and its functional currency was determined to be the U.S. dollar as all transactions conducted by the subsidiary are now in U.S. dollars. Under IFRS, all financial assets and liabilities of the foreign operations are translated into Canadian dollars at the period-end exchange rate and non-financial assets and liabilities are translated using the rate in existence on December 31, 2018, the date its functional currency changed to the U.S. dollar, or the rate they are acquired at after that date. Revenues and expenses are translated at the rate in effect on the date of the transaction using the average rate as a method of approximation. The resulting unrealized gains or losses are included in other comprehensive income (loss) until the entity is realized through disposition or sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign entity and translated at the closing exchange rate.

Adoption of new and amended accounting pronouncements

Recent pronouncements adopted by the Company

IFRS 9 – Financial instruments

IFRS 9 replaces IAS 39, “Financial Instruments: Recognition and Measurement” (IAS 39). IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed-measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. This standard also introduces an

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expected credit loss model for the impairment of financial assets. IFRS 9 is effective for fiscal years beginning on or after January 1, 2018.

The summary of the impact of the adoption of IFRS 9 is as follows:

	Closing balance, February 28, 2018	Impact of IFRS 9	Opening balance, March 1, 2018
	\$	\$	\$
Financial Assets			
Cash and cash equivalents	3,661,057	-	3,661,057
Trade and other receivables	176,177	-	176,177
Prepaid expenses and deposits	57,672	-	57,672
	3,894,906	-	3,894,906
Financial Liabilities			
Accounts payable and accrued liabilities	365,070	-	365,070
	365,070	-	365,070

Each of the items listed in the table above are measured at amortized cost under IAS 39 and moving forward under IFRS 9. Adoption of the standard did not impact the Company's consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers

IFRS 15, Revenue from Contracts with Customers ("IFRS 15") replaced IAS 18 - Revenue, IAS 11 - Construction Contracts and some revenue related interpretations. IFRS 15 establishes a new control-based revenue recognition model, changes the basis for deciding whether revenue is to be recognized over time or at a point in time, and improves disclosures about revenue. IFRS 15 provides more detailed guidance on contracts involving the delivery of two or more goods and services as to when to account separately for the individual performance obligations in a multiple element arrangement, how to allocate the transaction price and when to combine contracts. IFRS 15 also provides guidance on how to treat arrangements with variable pricing, such as performance-based pricing and how revenue can be determined. In addition, IFRS 15 provides guidance on time value of money and adjusting a contract price for a financing component. Costs of obtaining new contracts to earn revenue must be deferred and amortized over the life of the contract. A practical expedient does not require contract assets and liabilities to be recognized if the contract period is for one year or less.

The standard is effective for annual periods beginning on or after January 1, 2018. The Company adopted the Standard effective March 1, 2018 and chose to apply it retrospectively with restatement to contracts not completed as at March 1, 2018. There was no financial statement effect from adopting this accounting standard as the company's revenue recognition policy had been aligned with IFRS 15. As the Company has not paid incentives or incurred other direct costs when a software subscription was successfully sold to a customer, the Company does not have any contract assets or contract liabilities with customers.

Recent pronouncements not yet effective and not yet adopted early by the Company

IFRS 16 - Leases

IFRS 16, Leases ("IFRS 16") is a new standard which will require lessees to recognize assets and liabilities for most leases under a single accounting model, with certain exemptions. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Early adoption is permitted, provided the new revenue standard, IFRS 15 has been applied or is applied at the same date. The standard is not expected to have an impact on the Company's consolidated financial statements as the Company is neither a lessor or lessee in a lease contract affected by this Standard.

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4.0 Significant management judgment and estimates in applying accounting policies

i) Judgments

Significant management judgments are required when applying the accounting policies of the Company. These may have a significant effect on the consolidated financial statements.

Revenue and deferred revenue

Revenue is recognized when the revenue recognition criteria expressed in the accounting policy stated above for Revenue Recognition have been met. Judgment may be required when allocating revenue or discounts on sales amongst the various elements in a sale involving multiple deliverables.

Deferred revenue consists of customer prepayments for software subscription contracts and software development costs where software is being jointly developed. Revenue generated by fixed-fee service contracts is recognized when the contract is complete.

Software development costs

Management monitors progress of internal research and development projects. Significant judgment is required in distinguishing research from the development phase. Development costs are recognized as an asset when all the criteria are met, whereas research costs are expensed as incurred.

The Company capitalizes certain development costs incurred in connection with its internal use software. These capitalized costs are related to the development of the software that is hosted by the Company and accessed by its clients on a subscription basis. The Company capitalizes all direct and incremental costs incurred during the application development phase until such time when the software is substantially complete and ready for its intended use. The Company also capitalizes costs related to specific upgrades and enhancements when it is probable the expenditures will result in additional features and functionality the Company believes will generate incremental revenue. Capitalization ceases when all internal testing is complete, and amortization commences when the software is approved for commercial use. Maintenance costs of software are expensed. Judgment is required when determining when development is complete, the software may be commercially released and if incremental features and functionality will generate enough incremental revenue to warrant capitalization.

The Company's management monitors, at each reporting period, whether the recognition requirements for development costs continue to be met. This is necessary as the economic success of any product development is uncertain and may be subject to future technical problems after the time of recognition.

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 a subsidiary, management uses judgment in the ultimate determination of that entity's functional currency.

Deferred tax assets

The assessment of the probability of future taxable income in which deferred tax assets can be utilized is based on the Company's latest approved budget forecast, which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. The tax rules in the numerous jurisdictions in which the Company operates are also taken into consideration. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilized without a time limit, that deferred tax asset is usually recognized in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties are assessed individually by management based on the specific facts and circumstances.

ii) Estimates

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

Exercise date of warrants

Management estimated the expected exercise date of the warrants as they, together with an equal number of shares of common stock, were issued as units in private placements. The estimate of expected exercise date is used in the calculation of the warrants' fair value.

Impairment

An impairment loss is recognized as the amount by which an asset's or a CGU's carrying amount exceeds its recoverable amount, which is the higher of fair value less cost of disposal and value-in-use. To determine the value-in use, management estimates expected future cash flows from each asset or CGU and determines a suitable interest rate to calculate the present value of those cash flows. In the process of measuring expected future cash flows, management makes assumptions about future operating results. These assumptions relate to future events and circumstances. The actual results may vary and may cause significant adjustments to the Company's assets within the next financial year. Determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

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. The carrying amounts are reported in notes 7 and 8. Actual results may vary due to technical obsolescence, particularly for computer equipment and internally generated software.

Provisions

The amount recognized for provisions is the estimated expense based on management's experience and future expectations related to obligations to be provided.

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, vesting date, expected forfeiture rate and weighted average fair value.

Measurement of expected credit losses allowance for financial assets

To test for impairment of financial assets, the Company uses the expected credit loss model, which requires the Company to estimate its expected credit losses ("ECL") and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. At each reporting date, the Company assesses whether financial assets are credit impaired. The Company will consider a financial asset to be in default when the indebted party is unlikely to pay its obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any). The Company elected to consider that default does not occur when a financial asset is 90 days past due as the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate, and that default risk is not necessarily increased. In assessing whether an indebted party is in default, the Company considers indicators that are qualitative (e.g. breach of conditions), quantitative (e.g. overdue status), and data developed internally and obtained from external sources. Inputs into the assessment of whether a financial asset is in default and their significance may vary over time to reflect these circumstances.

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Contingent consideration

The Company was required to determine the fair value of the contingent consideration at time of issuance and at each period-end. This determination required estimates to be made of the timing of the release of the contingently issued shares which was dependent on the performance earned-out value determined by the future generation of earnings before interest income, incomes taxes, depreciation and amortization expense ("EBITDA") of OneBridge and the estimated expense of related Black Scholes Option Pricing Models. The shares have been released from escrow (note 12).

5.0 Cash and cash equivalents

Cash and cash equivalents are comprised of the following:

	December 31, 2018	February 28, 2018
	\$	\$
Cash at bank:		
Short-term deposits (USD)	76,832	524,510
Short-term deposits (CDN)	80,871	357,857
Interest-bearing deposits	1,844,101	2,765,920
Restricted cash (USD)	13,624	12,770
Cash and cash equivalents	<u>2,015,428</u>	<u>3,661,057</u>

The restricted cash is a security deposit for issuance of credit cards to the Company.

6.0 Trade and other receivables

	December 31, 2018	February 28, 2018
	\$	\$
Trade receivables	1,744,821	115,605
Sales tax and other	11,356	13,074
Trade and other receivables	<u>1,756,177</u>	<u>128,679</u>

Due to its short-term nature, the net carrying value of trade receivables approximates fair value.

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7.0 Property and equipment

	Computer equipment \$	Office furniture and equipment \$	Total \$
Cost			
Balance at February 28, 2017	39,996	1,934	41,930
Additions	17,554	-	17,554
Disposals	(12,448)	-	(12,448)
Balance at February 28, 2018	45,102	1,934	47,036
Additions	11,706	-	11,706
Balance at December 31, 2018	56,808	1,934	58,742
Depreciation and impairment			
Balance at February 28, 2017	(17,003)	(29)	(17,032)
Disposals	10,662	-	10,662
Depreciation	(16,726)	(618)	(17,344)
Balance at February 28, 2018	(23,067)	(647)	(23,714)
Depreciation	(13,239)	(617)	(13,856)
Balance at December 31, 2018	(36,306)	(1,264)	(37,570)
Carrying amount			
As at February 28, 2018	22,035	1,287	23,322
As at December 31, 2018	20,502	670	21,172

8.0 Intangible assets

	Internally generated software \$	Software \$	Trademark \$	License Agreement and Customer list \$	Total \$
Cost					
Balance at February 28, 2017	965,944	609,626	-	174,672	1,750,242
Software development costs capitalized	473,791	-	-	-	473,791
Addition, separately acquired	-	250	14,579	-	14,829
Balance at February 28, 2018	1,439,735	609,876	14,579	174,672	2,238,862
Addition, separately acquired	-	6,146	4,401	-	10,547
Software development costs capitalized	519,599	-	-	-	519,599
Balance at December 31, 2018	1,959,334	616,022	18,980	174,672	2,769,008
Amortization and impairment					
Balance at February 28, 2017	(20,689)	(318,485)	-	(174,672)	(513,846)
Amortization	(164,366)	(203,011)	(583)	-	(367,960)
Impairment	(167,135)	(87,466)	-	-	(254,601)
Balance at February 28, 2018	(352,190)	(608,962)	(583)	(174,672)	(1,136,407)
Amortization	(204,057)	(1,627)	(2,393)	-	(208,077)
Balance at December 31, 2018	(556,247)	(610,589)	(2,976)	(174,672)	(1,344,484)
Carrying amount					
As at February 28, 2018	1,087,545	914	13,996	-	1,102,455
As at December 31, 2018	1,403,087	5,433	16,004	-	1,424,524

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Once in the fiscal period, the Company tests its intangible assets for impairment. All amortization charges (or reversals if any) are included within amortization of intangible assets in the consolidated statements of comprehensive income (loss). All impairment charges (or reversals if any) are stated separately in the consolidated statements of comprehensive income (loss).

Certain software acquired as part of the Bridge Solutions asset purchase and internally generated software related to Public Awareness and Emergency Management Systems were tested for impairment in December 2017. Due to management's decision to withdraw from marketing this software at that time with no stated resumption date, the inability of the software to generate future revenue was considered probable.

A license agreement and a customer list acquired in July 2015 as part of the Bridge Solutions asset purchase were tested for impairment in February 2017. The customer's inability to pay the license agreement was determined to be probable and the relationship with the client in the customer list terminated due to the client being acquired by a company with alternative processes.

In the prior year, impairment charges of \$254,601 were recognized as these intangible assets were deemed to not have realizable value. No impairment charges were recorded in the current year related to intangible assets.

9.0 Income tax expense**(a) Income tax expense**

	Ten months ended December 31, 2018	Year ended February 28, 2018
	\$	\$
Current tax expense (recovery)		
Current period	-	-
Deferred tax expense (recovery)		
Origination and reversal of temporary differences	185,239	(622,690)
Change in tax rates and rate differences	-	197,817
Change in unrecognized deductible temporary differences	(185,239)	425,546
Prior period adjustments	-	(673)
Income tax expense (recovery) reported in the comprehensive statements of income (loss)	-	-

The actual income tax provision differs from the expected amount calculated by applying the Canadian combined federal and provincial corporate tax rates to income before tax. These differences result from the following:

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	Ten months ended December 31, 2018 \$	Year ended February 28, 2018 \$
Income tax expense (recovery) at statutory rate 27.0% (2017 - 27.0%)	79,591	(774,961)
Increase (decrease) resulting from:		
Non-taxable items	108,620	139,672
Change in unrecognized deferred tax assets	(185,239)	425,546
Change in tax rates and rate differences	-	197,817
Effect of tax rate in foreign jurisdictions	(2,972)	12,599
Prior period tax adjustments	-	(673)
Income tax expense (recovery)	-	-

(b) Recognized deferred tax assets and liabilities

Deferred tax assets are attributable to the following:

	December 31, 2018 \$	February 28, 2017 \$
Tax loss carryforwards	380,271	293,770
Deferred tax assets	380,271	293,770
Set off of tax	(380,271)	(293,770)
Net deferred tax asset	-	-

Deferred tax liabilities are attributable to the following:

	December 31, 2018 \$	February 28, 2018 \$
Intangible assets	(378,429)	(293,770)
Property and equipment	(1,842)	-
Deferred tax liabilities	(380,271)	(293,770)
Set off of tax	380,271	293,770
Net deferred tax liability	-	-

(c) Unrecognized deferred tax assets

The tax losses begin to expire in 2034. Deferred tax assets have not been recognized in respect of the following items because based on historical performance, it is not probable that future taxable profit will be available against which the Company can utilize the benefits.

Deferred tax assets have not been recognized in respect of the following items:

	December 31, 2018 \$	February 28, 2018 \$
Deductible temporary differences	189,281	219,381
Non-capital loss carryforwards	4,268,299	4,513,344
	4,457,580	4,732,725

10.0 Goodwill

The carrying amount of goodwill is analyzed as follows:

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	December 31, 2018	February 28, 2018
	\$	\$
Gross carrying amount		
Balance, beginning of period	155,693	207,591
Impairment	-	(51,898)
Balance, end of period	<u>155,693</u>	<u>155,693</u>

Goodwill of \$207,591 arose from the acquisition of the assets and liabilities of Bridge Solutions Inc. (note 12). It was allocated to the two pipeline software CGUs: Cognitive Integrity Management, \$155,693 (February 28, 2018 - \$155,693) ("CIM") and SMS/CA Public Awareness ("PA"), \$nil (February 28, 2018 \$nil).

The Company performed its annual impairment test as at December 31, 2018 (prior year – February 28, 2018). The recoverable amount of the CIM CGU was determined based on value in use. These calculations used pre-tax cash flows covering a five-year period based on financial budgets and forecasts approved by management using expected average annual revenue growth of the CIM product in its intended market of 44.1%, working capital adjustments based on ratios reported by publicly traded software companies and a risk adjusted discount rate of 29.4%. The growth rates, working capital ratios, and the discount rate are the key assumptions in the calculation of the value in use. Key assumptions also include budgeted profit margins. No expected efficiency improvements have been considered and changes to prices and wages reflect forecasts of inflation for the Company.

The recoverable amount of the CIM CGU exceeded its carrying amount. The Company believes the recoverable amount is most sensitive to the risk-adjusted discount rate and the planned growth in revenue. If the risk adjusted discount rate were to exceed 44.6% for the CIM CGU, or if the planned revenue were to decrease by 13.4% for the CIM CGU, the CGU's carrying amount would exceed its recoverable amount and the Company would record an impairment charge.

In the year ended February 28, 2018, the Company suspended the operations of the PA CGU on an indefinite basis. As at February 28, 2018, the carrying amount of the PA CGU exceeded its recoverable amount. Accordingly, the goodwill of \$51,898 allocated to the PA CGU was considered impaired and its value was expensed as an impairment charge. The CGU is now valued at \$nil.

11.0 Deferred revenue

Deferred revenue can be summarized as follows:

	Deferred revenue \$
Balance at February 28, 2017	-
New contracts	2,209,458
Applied or amortized	(56,023)
Balance at February 28, 2018	<u>2,153,435</u>
New contracts	828,974
Applied or amortized	(2,368,254)
Effect of foreign exchange	88,901
Balance at December 31, 2018	<u>703,056</u>

The deferred revenue represents prepayments for the right to access and use the Company's software in future periods and to migrate a client's software from an on-premise application to the Microsoft cloud.

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12.0 Contingent consideration

On July 17, 2015, the Company acquired the business of Bridge Solutions Inc. ("Bridge"), a private Alberta company established in 2002. Bridge had developed technology that provided pipeline operators with comprehensive information about their pipelines to assist them in optimizing infrastructure management and identifying potential threats to a pipeline's integrity.

Pursuant to the terms of the acquisition, OneSoft, through a newly incorporated and wholly-owned subsidiary, OneBridge Solutions Inc. ("OneBridge"), acquired all rights, title and interest in and to the Bridge intellectual properties and goodwill associated therewith for a fair value acquisition price of \$818,077, paid by issuance of 11,733,024 OSS treasury shares. Of these shares, as at February 28, 2018, 4,503,800 (2017 - 4,503,800) shares were being held under escrow restrictions in accordance with the policies of the TSX Venture Exchange. The shares were to be released contingently based on a performance earn-out value determined by the future generation of earnings before interest income, income taxes, depreciation and amortization expense ("EBITDA") by OneBridge. The Company reassessed the fair value of the contingently issued shares at each period-end primarily to reflect changes in the trading price of the Company shares on the TSX Venture Exchange.

On June 21, 2018, the TSX Venture Exchange approved the release of the escrowed, contingently-issued shares subject to disinterested shareholders voting to approve the release. On July 24, 2018, disinterested shareholders approved the release of the shares without satisfaction of the performance earn-out formula. On September 24, 2018, after a mandated sixty day hold period, the shares were released from escrow.

	December 31		February 28,	
	2018		2018	
	#	\$	#	\$
Balance, beginning of period	4,503,800	430,587	4,503,800	389,201
Change in fair value	-	67,014	-	41,386
Shares released from escrow	(4,503,800)	(497,601)	-	-
Balance, end of period	-	-	4,503,800	430,587

13.0 Share capital

Share capital represents the nominal value of common shares that have been issued. Cumulative transaction costs of \$319,474 (February 28, 2018 - \$319,474) associated with the issuing of shares are deducted from share capital and warrants, net of any related income tax benefits.

Authorized

Unlimited number of common shares with no par value

Unlimited number of preferred shares with no par value

Common shares

In the period February 25, 2016 to March 31, 2016, the Company closed a non-brokered private placement and a related over-subscription for 16,666,666 units at a price of \$0.075 per unit for proceeds of \$1,250,542. Each unit was comprised of one common share and one common share purchase warrant. Each warrant entitled the holder to purchase one additional common share at a price of \$0.15 per Common Share for a period of twenty-four months following the date of closing. The proceeds of the private placements have been recorded as common shares and warrants. The value of the warrants was determined using a Black-Scholes Option Pricing Model. The remainder of the value received was recorded as share capital.

Preferred shares

The authorized preferred shares may be issued in one or more series and the directors are authorized to fix the number of shares in each series and to determine the designation, rights, privileges, restrictions and conditions attached to the shares of each series.

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There are no preferred shares outstanding.

Warrants

	December 31, 2018		February 28, 2018	
	Number of warrants #	Weighted average exercise price \$	Number of warrants #	Weighted average exercise price \$
Outstanding, start of period	4,200,333	0.14	32,679,666	0.12
Exercised	(4,200,333)	0.14	(28,479,333)	0.12
Outstanding, end of period	-	-	4,200,333	0.14

In the ten months ended December 31, 2018, warrant holders exercised 4,200,333 (year ended February 28, 2018 - 28,479,333) share purchase warrants with a weighted-average exercise price of \$0.14 (year ended February 28, 2018 - \$0.12) to acquire 4,200,333 (year ended February 28, 2018 - 28,479,333) common shares for cash proceeds of \$567,050 (year ended February 28, 2018 - \$3,473,519). The figures for the year ended February 28, 2018 included a transaction on March 6, 2017 wherein certain senior management, directors and other parties exercised 15,330,755 share purchase warrants to acquire the same number of common shares for proceeds to the Company of \$1,822,389. The warrants were issued as part of private placement financings closed on March 27, 2015, February 25, 2016 and March 31, 2016 and had expiry dates of February 25, 2018 and March 31, 2018. The proceeds were used to fund execution of business plans and for general working capital purposes.

Stock-based compensation, options exercised and changes in Stock Option Plan

On July 24, 2018, the Company approved an “evergreen” stock option plan which allows the grant of stock options equal to 10% of the issued and outstanding common shares of the Company provided the plan is approved annually at the general meeting of the shareholders. Stock options have been issued to directors, employees and consultants with vesting periods of immediate to three years and terms of 5 years at prices reflective of the trading price of the Company shares on the TSX Venture Exchange at time of grant. On December 31, 2018, the maximum number of stock options that may be granted was 10,102,414, (February 28, 2018 – 9,622,381). The number of options available under the Plan for granting purposes as at December 31, 2018 was 915,747 (February 28, 2018 – 2,235,714).

	December 31, 2018		February 28, 2018	
	Number of share options #	Weighted average exercise price \$	Number of share options #	Weighted average exercise price \$
Outstanding, start of period	7,386,667	0.17	6,050,000	0.16
Granted	2,800,000	0.45	1,600,000	0.24
Exercised	(600,000)	0.17	(163,333)	0.11
Cancelled	(366,666)	0.35	-	-
Forfeited	(33,334)	0.28	(100,000)	0.16
Outstanding, end of period	9,186,667	0.25	7,386,667	0.17
Options exercisable, end of period	6,220,004	0.18	4,370,006	0.16

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As at	Options Outstanding			Options Exercisable		
	Exercise price \$	Outstanding number of share options #	Weighted average exercise price \$	Weighted average remaining contractual life in years #	Stock option #	Weighted average exercise price \$
December 31, 2018	0.10 – 0.14	1,920,000	0.10	1.40	1,920,000	0.10
	0.15 – 0.18	1,566,667	0.16	2.58	1,033,336	0.16
	0.19 – 0.28	3,200,000	0.22	2.75	2,966,668	0.22
	0.42 – 0.49	2,500,000	0.46	4.29	300,000	0.44
		9,186,667	0.25	2.86	6,220,004	0.18
February 28, 2018	0.10 – 0.14	2,120,000	0.10	2.23	1,953,334	0.10
	0.15 – 0.18	1,666,667	0.16	3.43	566,672	0.16
	0.19 –	2,700,000	0.21	3.44	1,550,000	0.21
	0.25 – 0.28	900,000	0.27	4.13	300,000	0.27
February 28, 2018		7,386,667	0.17	3.18	4,370,006	0.16

The fair value of the employee stock options granted was determined using the Black Scholes Option Pricing Model using the following weighted- average factors:

	December 31, 2018	February 28 2018
Weighted average share price	\$0.45	\$0.24
Risk-free interest rate	2.03%	1.43%
Expected volatility	95.00%	95.19%
Expected dividend yield	Nil%	Nil%
Expected life (years)	3.26	4.12
Expected forfeiture rate	2.94%	3.46%
Weighted average fair value	\$0.27	\$0.16

Compensation expense in respect of stock options for the ten months ended December 31, 2018 was \$386,510 (year ended February 28, 2018 - \$445,367).

14.0 Segmented reporting

Operating segments are identified based on internal reports that are regularly reviewed by the Company's chief operating decision maker, the Chief Executive Officer. The Company has a single reporting segment which is the sale of subscriptions to use its software and provision of software related services.

The following table presents revenue from contracts with customers disaggregated by geographic location, customer-type and contract-type to depicts how the nature, amount, timing and uncertainty of revenue and cash flows could be affected by economic factors.

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Segment	Revenue	
	Ten months ended December 31, 2018 \$	Year ended February 28, 2018 \$
Primary geographical markets		
U.S.A.	\$ 4,319,512	\$ 969,628
Canada	8,333	35,417
	<u>\$ 4,327,845</u>	<u>\$ 1,005,045</u>
Major services:		
Subscriptions to use software	\$ 1,300,012	\$ 969,628
Software development contract	3,019,500	-
Licensing of company software	8,333	35,417
	<u>\$ 4,327,845</u>	<u>\$ 1,005,045</u>
Timing of revenue recognition		
Services transferred at a point in time	\$ 3,230,880	\$ 99,602
Services transferred over contract term	1,096,965	905,443
	<u>\$ 4,327,845</u>	<u>\$ 1,005,045</u>

The Company earned revenue from customers who comprised greater than 10% of its revenue. During the ten months ended December 31, 2018 and the year ended February 28, 2018, a customer accounted for revenue of \$3,833,769 (February 28, 2018 - \$883,606). The amount receivable from this customer was December 31, 2018 - \$1,100,956 (February 28, 2018 - \$77,020).

The Company's non-current assets (other than financial instruments and deferred tax assets) and its revenues from external customers for continuing operations are divided into the following geographical areas:

	December 31, 2018 \$	February 28 2018 \$
Canada		
Property and equipment	9,053	14,581
Intangible assets	1,420,660	1,102,309
Goodwill	155,693	155,693
Total Canada	<u>1,585,406</u>	<u>1,272,583</u>
United States		
Property and equipment	12,119	8,741
Intangible assets	3,864	146
Total United States	<u>15,983</u>	<u>8,887</u>

15.0 Earnings (loss) per share

The basic earnings (loss) per share has been calculated by dividing the earnings (loss) attributable to equity holders of the parent company by the weighted average number of ordinary shares in issue during the year.

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	December 31, 2018	February 28, 2018
	#	#
Weighted average shares outstanding -basic	100,725,415	83,903,766
Weighted average shares outstanding -diluted	105,119,551	83,903,766
	Ten months ended December 31, 2018	Year ended February 28, 2018
	\$	\$
Comprehensive income (loss)	294,780	(2,880,440)
Earnings (loss) per share:		
Basic	0.00	(0.03)
Diluted	0.00	(0.03)

The following potential ordinary shares are anti-dilutive and are therefore excluded from the weighted average number of ordinary shares for the purposes of diluted earnings (loss) per share:

	December 31, 2018	February 28, 2018
	#	#
Options issued and outstanding	-	7,386,667
Share purchase warrants	-	4,200,333

16.0 Financial instruments

16.1. 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, 2018	February 28, 2018
	\$	\$
Financial assets		
Loans and receivables		
Cash and cash equivalents	2,015,428	3,661,057
Trade and other receivables	1,756,177	128,679
	<u>3,771,605</u>	<u>3,789,736</u>
	December 31, 2018	February 28, 2018
	\$	\$
Financial liabilities		
Financial liabilities measured at amortized cost:		
Accounts payable and accrued liabilities	706,854	365,070
	<u>706,854</u>	<u>365,070</u>

Measurement of fair value

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

16.2. 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.

16.2.1 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, 2018	February 28, 2018
	\$ (USD)	\$ (USD)
Cash and cash equivalents	1,140,785	1,720,478
Trade and other receivables	1,279,382	85,130
Accounts payable and accrued liabilities	(181,748)	(26,465)
Total exposure	<u>2,238,419</u>	<u>1,779,143</u>

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 ten months ended December 31, 2018 (year ended February 28, 2018 - 10%). This percentage was determined based on the average market volatility in the exchange rate in the previous 12 months. 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% (February 28, 2018 - 10%) would have had the following applicable positive or negative impact:

	<u>Profit</u>	<u>Equity</u>
	\$	\$
December 31, 2018	4,102	4,102
February 28, 2018	1,692	1,692

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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.

16.2.2 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 does not currently hold any financial instruments to mitigate its interest rate risk. The Company holds financial instruments which exposes it to interest rate risk and 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% (February 28, 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 December 31, 2018, approximately 92.2% (February 28, 2018 – 76%) of the Company's cash balances where held in interest bearing bank balances.

	<u>Profit</u>	<u>Equity</u>
	\$	\$
December 31, 2018	20,954	20,954
February 28, 2018	12,590	12,590

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:

	<u>December 31, 2018</u>	<u>February 28, 2018</u>
	\$	\$
Classes of financial assets - carrying amounts:		
Cash and cash equivalents	2,015,428	3,661,057
Trade and other receivables	1,756,177	128,679
Carrying amount	<u>3,771,605</u>	<u>3,789,736</u>

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

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 several years. The Company's target market primarily consists of 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 good credit quality and records an estimate of credit loss for any portion considered impaired.

The aging of accounts receivable was:

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	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	<u>1,756,177</u>	<u>-</u>	<u>1,756,177</u>

	February 28, 2018		
	Gross trade and other receivables	Allowance for doubtful accounts	Net trade and other receivables
Current	\$ 122,117	\$ -	\$ 122,117
Past due more than 90 days	6,562	-	6,562
Total	<u>\$ 128,679</u>	<u>\$ -</u>	<u>\$ 128,679</u>

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

	December 31 2018	February 28 2018
	<u>\$</u>	<u>\$</u>
Balance, beginning of period	-	6,250
Doubtful accounts	-	(6,250)
Balance, end of period	<u>-</u>	<u>-</u>

16.2.4 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, 2018 - \$706,854 (February 28, 2018 - \$365,070).

The Company considers cash flows from financial assets of \$3,771,605 (February 28, 2018 - \$3,789,736) in assessing and managing liquidity risk, and, its cash resource and trade receivables. The Company's existing cash resources and trade receivables (see note 16.2.3) exceed its current cash outflow requirements. Cash flows from trade and other receivables are contractually due within two months.

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17.0 Economic dependence

The Company purchases and consumes Microsoft Azure cloud platform and services for which no partnership agreement is required and on which there is no economic dependency.

In the period February 2016 to June 2016, OBS USA was a participant in the Microsoft Ventures Accelerator program held in Seattle, Washington. In June 2016, due to its participation, OBS USA was given a grant of U.S. \$500,000 (CDN \$664,050) to apply against Azure cloud platform expenses incurred prior to January 20, 2019. In the ten months ended December 31, 2018, Azure costs of US\$72,738 or CDN \$94,336 (February 28, 2018 - \$259,479 or CDN \$334,209) related to the provision of client SaaS services and software development and testing were incurred and offset by the grant. As at December 31, 2018, \$nil (February 28, 2018 - US\$72,738 or CDN \$94,336) of the grant remained available.

In the period March 1, 2018 to Dec 31, 2018, the Company purchased and consumed US\$183,562 or CDN \$239,494 of Azure cloud platform services

18.0 Capital management policies and procedures

The Company is managing its capital structure to provide sufficient capital to maintain its current operations and to continue with the development of new and existing products. The Company's capital consists of equity, bank balances and accounts receivable. Cash is managed by selling software subscriptions for cash or invoiced with short credit terms and actively collecting accounts receivable. Financial information is reviewed regularly by Company management and is overseen by the Board of Directors. As at December 31, 2018, cash balances were \$2,015,428 (February 28, 2018- \$3,661,057) and equity was \$4,020,756 (February 28, 2017 - \$2,173,815). The Company is focussed on increasing OneBridge revenue.

The Company is not subject to any externally imposed capital requirements. There have been no changes to the Company's approach to capital management for the periods reported.

19.0 Related party transactions

The Company's related parties are its Board of Directors and its key management personnel who are the Chief Executive Officer, Chief Financial Officer, Secretary and Presidents.

Key management and Board remuneration consisted of the following:

	Ten months ended December 31, 2018	Year ended December 31, 2018
	\$	\$
For the periods ended:		
Salaries, benefits, management fees and directors' fees	892,006	847,172
Stock based compensation	161,247	164,707
Total	<u>1,053,254</u>	<u>1,011,879</u>

Stock based compensation is the amount of expense recognized in the consolidated Statements of Comprehensive Loss relating to the identified key management and directors. Included in accounts payable and accrued liabilities is \$136,569 (February 28, 2018 – \$85,932) due to key management personnel.

20.0 Commitment

The Company is committed to pay minimum royalties of U.S. \$2.25 million over a ten-year period ending 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. In the period ended December 31, 2018, royalty expense of U.S. \$17,500 (February 28, 2018 - \$nil) was recorded.