ONESOFT SOLUTIONS INC.

2021

Q2

Management's Discussion & Analysis

Three and Six months ended June 30, 2021

This Management's Discussion and Analysis is dated August ●, 2021.

INTRODUCTION

This MD&A of the results of operations, cash flows and financial position as at and for the three and six months ended June 30, 2021 should be read in conjunction with the unaudited, condensed interim financial statements and accompanying notes for the three and six months ended June 30,2021 and the audited consolidated financial statements and notes thereto for the year ended December 31, 2020. The financial statements and additional Company information are available to view on www.sedar.com. References in this MD&A to "OneSoft", the "Company", "OSS", "us", "we", and "our" mean OneSoft Solutions Inc. and its subsidiaries, unless the context otherwise suggests.

The Company's consolidated financial statements are prepared in accordance with International Financial Reporting Standards and include the accounts of OneSoft and its wholly owned subsidiaries, OneBridge Solutions, Inc., OneBridge Solutions Canada Inc. and OneCloudCo Limited. OneSoft's shares trade on the TSX Venture Exchange in Canada, under the symbol "OSS", and are listed on the OTCQB market in the USA, under the symbol "OSSIF".

This MD&A contains forward-looking information based on certain expectations, projections, and assumptions. This information is subject to many risks and uncertainties, many of which are beyond the Company's control. Users of this information are cautioned that actual results may differ materially. Readers are directed to the "Risks and Uncertainties" on page 11 of this document and to the "Advisory Regarding Forward Looking Information" on page 15.

DEFINITIONS USED IN THIS DOCUMENT

Financial Periods referred to in this document:

- "**Fiscal 2021**" means the twelve-month period January 1 through December 31, 2021.
- "**Fiscal 2020**" means the twelve-month period January 1 through December 31, 2020.
- "**H1 2021**" means the six-month period January 1 through June 30, 2021.
- "**H2 2021**" means the six-month period July 1 through December 31, 2021.
- "**Q1 2021**" means the three-month period January 1 through March 31, 2021.
- "**Q2 2021**" means the three-month period April 1 through June 30, 2021.
- "**H1 2020**" means the six-month period January 1 through June 30, 2020.
- "**H2 2020**" means the six-month period July 1 through December 31, 2020.
- "**Q1 2020**" means the three-month period January 1 through March 31, 2020.
- "**Q2 2020**" means the three-month period April 1 through June 30, 2020.

"**ARR**" means annual recurring revenue which includes revenue from SaaS subscription, data ingestion, Microsoft Azure and specialized functionality module fees associated with CIM, which all typically repeat each month but in varying amounts. ARR is comprised of two components: (a) fixed recurring revenue, which includes CIM subscription fees that remain more or less constant over a contract subscription period; and (b) repeating CIM consumption revenue, which may vary month to month depending upon the number of pipeline inspection files ingested into CIM each month and the consumption of optional software functionality by clients.

"**Azure**" is Microsoft's cloud computing service which offers a range of software-as-a-service (SaaS), platform-as-a-service (PaaS) and infrastructure-as-a-service (IaaS) options for deploying applications and services on Microsoft-managed data center infrastructure. OneSoft's software products have been designed to be deployed and operated on Microsoft Azure, the multi-faceted, multi-layered highly secure cloud platform which features ninety plus compliance offerings.

"**Cognitive Integrity Management**™ or "**CIM**" means the Company's software-as-a-service platform that addresses the end-to-end business process flow of oil and gas pipeline integrity processes including assessment planning, integrity compliance, dig management, threat monitoring, data management and analyses of the various datasets that apply to asset integrity.

"**Deferred Revenue**" means prepayments from customers for use of CIM, inclusive of payments received for new contracts offset by CIM fees consumed during the period, which are recognized as earned revenue and it is comprised of "**Deferred Revenue – Current**", which is expected to be recognized in revenue in the next 12 months and "**Deferred Revenue – Non-current"**, which is expected to be recognized in revenue after the next 12 months.

"**ESG**" means Environmental, Social and Governance. ESG criteria are a set of standards for a company's operations that socially conscious investors use to screen potential investments, based on how the company performs as a steward of nature and community.

"**IP**" means intellectual property.

"**Management**" means the senior executive management team of OneSoft, which include the Company's CEO, COO, CFO and Presidents of the Company's operating subsidiaries.

"**OneSoft**" means OneSoft Solutions Inc. and includes the accounts of OneSoft and its wholly owned subsidiaries, OneBridge Solutions, Inc., OneBridge Solutions Canada Inc. and OneCloudCo **Limited**.

"**Other Revenue**" means revenues from CIM Production Trials, services, software development fees that are invoiced to third parties and miscellaneous other project fees, which may recur at irregular intervals.

"**Production Trials**" (formerly referred to as "Proof of Concept") are part of the Company's sales process and refers to limited time use of CIM by prospective customers for the purpose of testing, applicability, and assessment of CIM functionality, using their own data.

"**SaaS**" means software-as-a-service.

"SOC 2" refers to the comprehensive reporting framework developed by the American Institute of Certified Public Accountants for service organizations in which independent, third-party auditors will assess and test the internal controls the Company has established in and around its CIM solution relating to criteria of security, availability, processing integrity and confidentiality. Certification of compliance with SOC 2 is intended to meet the demands of our customers who seek detailed information and require assurance about internal controls prior to their approval of CIM for their internal use and uploading of their confidential data into it.

"**IFRS**" means International Financial Reporting Standards.

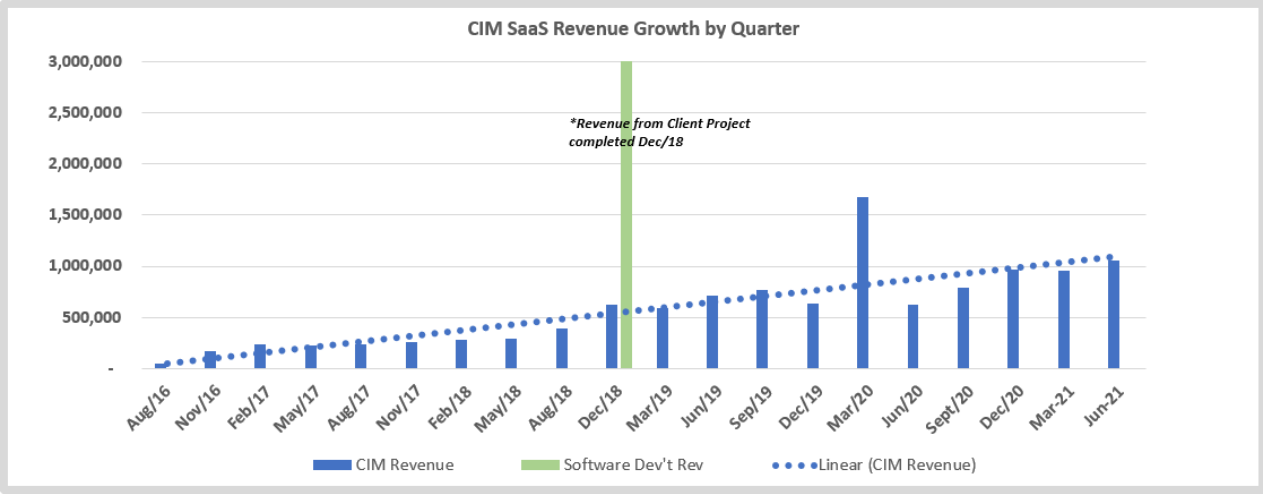
NON-IFRS MEASUREMENTS

The Company defines Adjusted EBITDA as earnings before interest, income taxes, stock option expense, depreciation, amortization, and impairment charges. Readers are cautioned that Adjusted EBITDA should not be construed as an alternative to comprehensive income or loss as determined in accordance with IFRS. A table on page 15 reconciles Adjusted EBITDA with comprehensive income or loss. Management uses Adjusted EBITDA as a measure of cash generation in its budgeting and financial reporting processes, recognizing that it does not reflect working capital and other balance sheet changes.

H1 2021 DISCUSSION

Sales and Revenue

- Revenue for Q2 2021 was $1,053,665, increased by 70% or $434,195 over Q2 2020. The revenue increase resulted from more customers using Company solutions and a greater level of activity by all customers. A decrease in the effective average U.S. foreign exchange rate from 1.3853 last year to 1.2282 this year negatively affected revenue by approximately $124,857.
- Revenue for the six months ended June 30, 2021, was $2,007,582, a decrease of $287,374 (13%) from the same period last year. While pipeline miles under CIM subscription and revenue increased due to the addition of new customers in 2021, the decrease in revenue was due to the unusually high consumption of the CIM solution in Q1 2020 when approximately 1,000 data logs were loaded into CIM in the month of February 2020, during a new Client's initial CIM implementation. A decrease in the average effective U.S. foreign exchange rate from 1.3555 last year to 1.2466 this year negatively affected revenue by approximately $169,000.
- The chart on page four shows CIM revenue for the past twenty quarters. The two highest revenue quarters in the chart are explained as follows:
    a) The Dec/18 software development revenue (green bar) was earned when a year-long, non-recurring client-funded project completed, wherein their pipeline integrity maintenance IP was integrated into CIM.
    b) The spike in Mar/20 revenue resulted from a new client loading a large number of new and historic logs in the quarter, as previously discussed. The pace in revenue growth slowed in Jun/20 due to the Covid-19 pandemic and resumed its upward trend commencing in Sept/20.
- We anticipate that quarter-over-quarter revenue will continue to be variable for the next year or two until our client base increases and consolidated quarterly revenue is not noticeably affected by the revenue associated with initial CIM implementations. On initial CIM implementation, some clients choose to load all their new and historic logs immediately, thereby resulting in large initial CIM consumption and revenue, followed by normalization in their second and subsequent years of CIM use which results in more consistent software utilization patterns over the longer term.
- Management believes that the most important metric in the chart is the dotted line, which illustrates CIM's compounded annual revenue growth rate of 82.4%, based on linear growth over 5 years. Management is focused on increasing CIM ARR and other complementary revenue, as we believe this is a key factor that contributes to increasing future value for shareholders.
- Most of the Company's clients choose to estimate their CIM consumption for the next year and pay for it at the start of that period. The Company's Deferred Revenue at the end of Q2 2021 totaled $2,346,147, as compared to $2,560,475 and $413,546 as at the end of the prior quarter and last fiscal year end, respectively.



2021 Financial Metrics

Year-to-date financial metrics are summarized in the table below, with comparisons to the same period last year. OneSoft tracks revenues in two main categories, ARR and Other Revenue, as defined herein.

	Three months ended:		Six months ended:	
OneSoft SaaS Metrics	**Q2 2021**	**Q2 2020**	**Q2 2021**	**Q2 2020**
Revenue as reported in the Financial Statements	$ 1,053,665	$ 619,470	$ 2,007,582	$ 2,294,956
Revenue categorization:				
Annual Recurring Revenue ("ARR")	$ 970,486	$ 586,827	$ 1,847,207	$ 2,203,094
Other Revenue	$ 83,179	$ 32,643	$ 160,375	$ 91,862
Total Revenue	$ 1,053,665	$ 619,470	$ 2,007,582	$ 2,294,956
Direct Costs	$ 261,445	$ 183,758	$ 507,689	$ 525,300
Gross profit	$ 792,220	$ 435,712	$ 1,499,893	$ 1,769,656
Direct Costs as % of ARR and Other Revenue	25%	30%	25%	23%
Gross profit as % of ARR and Other Revenue	75%	70%	75%	77%
ARR as % of Total Revenue	92%	95%	92%	96%
ARR Growth (Qtr / Qtr, YTD / YTD)	65%	-9%	-16%	81%

- Direct costs, which vary due to changes in the mix of sales caused by royalty expense, Azure costs and costs associated with provision of Services to clients, were consistent in Q1 2021 and Q2 2021 at 25% of revenue. Management anticipates that at some point in the future, Direct costs are expected to reduce to approximately 20% of revenue as revenue increases, software development projects evolve towards completion and more client on-boarding tools are developed and implemented to reduce the labor costs incurred today from staff supporting customers.

- Gross profit was $356,508 higher than in Q2 2020. Total operating expenses before cost capitalization were almost the same as Q2 2020 and other expenses were $196,185 higher than in Q2 2020. As a result of the higher gross profit, the net loss was $111,332 less than in Q2 2020 at $1,131,295 versus $1,344,601 in Q2 2020. Cash flow from operating activities for the six months ended June 30, 2021 was $81,297 as compared to cash use of $1,321,296 in H1 2020 with the biggest difference being generation of $2,120,719 more cash from deferred revenue this year.

- At June 30, 2021, cash totaled $7.2 million, a figure that has remained fairly consistent for the past two quarters. Working capital (current assets less current liabilities) was $4.8 million ($6.2 million at December 31, 2020), and the Company has no debt. Assuming customers renew and pay their 2021 contracts for CIM access similar to fiscal 2020 and there are no significant changes in its current business strategies and cash consumption, the Company believes it has sufficient cash on hand to fund its business and growth strategies as envisioned.

OneBridge Innovation Lab, Business Development & Technology Roadmap

Innovation Lab business and product development activities continued in Q2 2021 in accordance with the Company's strategies stated in detail in the Fiscal 2020 MD&A published on March 24, 2021. Management is considering various alternatives to accelerate development to increase the breadth of CIM functionality and its speed to market, including potential joint venture

initiatives and acquisition of certain technology components that are more cost effective to license or acquire than to develop internally.

On April 27, 2021 we announced that the Company entered into a technology sharing agreement with C-FER Technologies ("**C-FER**"), to integrate C-FER's quantitative risk models into the CIM platform. This arrangement is expected to appeal to pipeline companies seeking to improve operational practices through digital transformation and replacement of outdated qualitative risk solutions with quantitative and probabilistic models that can more accurately assess pipeline risks. Early indications from current and prospective clients are highly positive, as evidenced by the high attendance of participants in our webinar on this topic on July 20, 2021. A fully functional CIM risk solution is anticipated to be completed by the end of 2021.

The Company also continued various research and business development activities during the current quarter, which Management anticipates will lead to new functionality being brought to market in future periods and serve to enhance shareholder value.

Sales & Marketing Activities

Generation of new sales leads, sales activities and CIM Production Trials involving prospective customers in the U.S.A., South America, Australia and Middle East countries continued in Q2 2021, conducted by the Company's sales team and in collaboration with reseller partners based in Australia and United Arab Emirates.

On April 7, 2021 the Company announced that one of the largest refined products pipeline companies in the U.S.A., with pipelines spanning Texas to the North Eastern U.S seaboard, entered into a multi-year agreement to use CIM for integrity management of its pipeline operations.

On June 23, 2021 we announced entering into a Teaming Agreement with the Advisian/Worley group and implementation of the first CIM client in Australia.

On July 28, 2021 the Company announced that a Canadian pipeline company contracted to use CIM for integrity management of its pipelines in Eastern and Western Canada.

Click here to view some of the Company's marketing and sales collateral.

Corporate Activities Update

The Company held its annual general and special meeting on May 4, 2021, wherein all resolutions proposed by Management were voted on and adopted by shareholders. The Company met virtually with and updated shareholders and followers of the Company in investor conferences and one-on-one meetings in Q2 2021.

On June 24, 2021 we welcomed the appointment of R. David Webster, P.Eng. as an independent Director of the Company. Mr. Webster brings significant business development and technical experience gained during a long and distinguished career in pipeline operations, consulting engineering and senior management, with areas of specialties that include pipeline design and construction, corrosion, cathodic protection, compliance, and integrity management for oil and gas and water industries.

BUSINESS OUTLOOK

Management is pleased with the Company's activity and progress during Q2 2021 to advance our technology and solutions, market presence and business development opportunities, which are proceeding in accordance with expectations. We remain confident that our first mover advantage in leveraging machine learning, data science and cloud computing continue to provide a strong competitive moat and that knowledge of the high value that CIM contributes to clients is becoming better known globally through technical publications, presentations and word of mouth referrals, which we believe will assist the Company to continue to gain market traction.

Sales activities are currently underway in the U.S.A., Canada, Australia, United Arab Emirates, Brazil, Argentina and Chile with numerous CIM Production Trials planned or in various stages of completion, which we anticipate will result in completed sales in future periods. Various business development initiatives are also underway, with the objectives to recruit additional CIM resellers, enter into joint venture arrangements with synergistic companies and pursue new potential markets and revenue sources where our CIM technology and platform can be leveraged.

Given the Company's strong balance sheet with $7.2 million of cash and cash equivalents at quarter end, no debt, current cash burn rate, and anticipated revenue going forward, Management believes the Company is sufficiently funded to execute current business plans as envisioned without requirement to raise additional capital.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE DISLCOSURES (ESG)

The Company's Board of Directors and senior executive team recognize the importance of appropriate "tone at the top" and consistently foster ethical practices to govern the Company's business conduct. A recent example of this was the decision to

reject the emergency Covid benefits extended by the Canadian and U.S. governments, which we believed should only be used by companies truly in need of them for survival and not by organizations who were well-financed and able to withstand the challenges caused by the pandemic. While our operating companies technically qualified for corporate welfare benefits in both the U.S. and Canada, we believe it was ethically unjust to accept them in our circumstance.

The Company adheres to strong corporate governance practices. Four of five members of OneSoft's Board of Directors are independent, and the Company maintains and implements policies on Whistle blowing, Code of Conduct and Business Ethics, Disclosure, and Corruption of Foreign Officials. The Company's financial records are independently audited annually, and the Company's auditors have never had cause to review or investigate any untoward practices.

OneSoft's products are designed to assist pipeline companies to achieve their objective of zero failures, protect the environment, save lives and reduce operating costs. OneSoft extends the same concern for the environment into its daily practices. Since reorganizing the Company in 2014 to pursue cloud computing opportunities, employees have worked from home offices, which increases efficiencies and reduces the carbon footprint caused by commuting to and maintaining a common workplace. The Company provides personal computers for employees' use but does not own computer servers that need constant replacement due to technology obsolescence, and instead has chosen to utilize Microsoft's cloud computing platform which is more efficient and requires less energy, power and equipment resources. The distributed nature of our workforce results in more reliance on electronic documents and filing systems, reducing the need for paper documents which are more environmentally harmful. Using modern communication systems such as Microsoft Teams, the Company has been able to reduce business travel, particularly since the pandemic has encouraged the use of on-line meetings to replace traditional in-person office meetings. This has resulted in increased efficiencies and reduction of expense and pollution resulting from airline travel.

Regarding social issues, OneSoft has workplace policies that foster an informed, egalitarian and productive employee team. Our Employee Handbook contains policies on Employee background checks, diversity, inclusion and equity, harassment and discrimination, personal conduct and cyber security. Employees are provided fair and competitive rates of pay and employee benefits packages and staff are actively encouraged to pursue additional educational opportunities and to fully consume vacations and personal days off as allowed by policy, to maintain appropriate work/non-work life balance. Employee turnover since 2014 has been practically non-existent, which signals that OneSoft provides a workplace that personnel enjoy contributing to and being a part of. While the senior executive team is primarily male (all of which were early investors in the Company at the start-up stage), females currently constitute 50% of the operational management and supervisory teams. The Board recognizes its lack of diversity which will be addressed as opportunities arise. The Company strives to be a good corporate citizen, however, has only been able to contribute limited donations and corporate volunteerism up to this point. We expect this to change positively as the Company matures.

As ESG practices evolve, OneSoft's leadership team intends to continue educating itself regarding these issues, with intention to continually improve its current practices and assume a leadership role for issues that the Company is most suited to influence.

RESULTS OF OPERATIONS

SUMMARY OF QUARTERLY RESULTS

	FY 2021		FY 2020				FY 2019	
($ 000's, per Share in Dollars)	Jun 30	Mar 31	Dec 31	Sept 30	June 30	Mar 31	Dec 31	Sept 30
Revenue	1,054	954	966	795	619	1,675	640	770
Gross profit	792	708	776	589	436	1,334	383	582
Expenses (net of software development costs capitalized)	(1,363)	1,464	1,641	1,371	1,415	1,226	1,356	1,071
Comprehensive (loss) income	(1,070)	(1,003)	(944)	(996)	(1,350)	11	(1,117)	(669)
Basic and diluted loss per share:	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	-	(0.01)	(0.01)

Q2 2021 compared to Q2 2020

Revenue and Gross Profit

	Q2 2021	Q2 2020	Change	
	$	$	$	%
Recurring revenue	970,486	586,827	383,659	65.4
Other revenue	83,179	32,643	50,536	154.8
Total Revenue	**1,053,665**	**619,470**	**434,195**	70.1
Direct costs	261,445	183,758	77,687	42.3
Gross profit	**792,220**	**435,712**	**356,508**	**81.8**
Gross margin	75.2%	70.3%	4.9	6.9

Revenue for the quarter increased by $434,195 or 70.1% from Q1 2020 revenue. Five new customers have been added this year and all customers used CIM more actively this quarter than in the comparative one. Revenue derived from monthly CIM subscription fees and the loading of new logs was up significantly, while revenue from other items also increased. Had U.S. dollar revenue been translated at the Q2 2020 average rate of 1.3853 instead of the Q2 2021 average rate of 1.2282, revenue for Q2 2021 would have been higher by approximately $125,000.

Gross profit increased by $356,508 primarily due to the increased revenue and the gross margin rising from 70.3% to 75.2%. Microsoft Azure costs reduced in the current quarter as the increased activity only caused these costs to increase marginally, as a percentage of revenue. Software royalty expense increased due to the higher revenue as did staff labour costs due to more customers being in the earlier stages of CIM implementation where more staff assistance is required.

Operating expenses:

	Q2 2021	Q2 2020	Change	
	$	$	$	%
Salaries and employee benefits	1,008,948	1,142,799	(133,851)	(11.7)
Sales and marketing	191,263	110,477	80,786	73.1
General and administration	216,652	162,209	54,443	33.6
	1,416,863	**1,415,485**	**1,378**	**0.1**
Software development costs capitalized	(54,361)	-	(54,361)	100.0
Operating expenses, net of costs capitalized	**1,362,502**	**1,415,485**	**(52,983)**	**(3.7)**

Salaries and employee benefits expense in Q2 2021 decreased $133,851 from Q2 2020. Staff salaries allocated to direct costs and sales and marketing expense increased by $139,372 as more support was required for new CIM implementations and Production Trials this quarter. The Company reduced its use of external software development subcontractors and recruitment agencies in Q2 2021 compared to Q2 2020 for savings of $31,267 and $50,427, respectively. Compensation expense increased $97,046 this quarter due to increase in the number of employees since last year.

Sales and marketing expenses increased $80,786 this quarter compared to Q2 of 2020. In the current quarter, the Company conducted several Production Trials with prospective customers and the Azure costs, staff time and incentives arising from these increased marketing expenses by $71,099. Lead generation activities increased expense by $23,737 and a program which is expected to lead to SOC 2 certification was initiated at a cost of $4,606. The Company also reduced its use of outside parties for website improvement and marketing support for savings of $26,837.

General and administrative expenses increased $54,443 in Q2 2021 driven by legal fees associated with the Company's action as plaintiff in a legal action and an increase in annual general meeting expenses.

Software development costs from integrating the Proof of Exceedance software purchased in Q1 2021 and C-FER risk management software into CIM were capitalized as required under IFRS accounting standards.

Other expense (income):

	Q2 2021	Q2 2020	Change	
	$	$	$	%
Stock based compensation	384,809	221,924	162,885	73.4
Amortization of intangible assets	109,521	99,893	9,628	9.6
Depreciation of property and equipment	2,586	3,402	(816)	(24.0)
Foreign exchange loss	69,091	69,233	(142)	(0.2)
Interest income	(4,994)	(29,624)	24,630	(83.1)
	561,013	**364,828**	**196,185**	**53.8**

In Q2 2021, the Company granted 3,400,000 stock options with a weighted average strike price of $0.63 to its employees, directors and officers with vesting periods ranging from immediate to three years. The new grants caused stock compensation to increase by $162,885 in the quarter.

The decrease in the foreign exchange rate of the U.S. to Canadian dollar translating the value of the Company's net U.S. assets created the foreign exchange loss, exacerbated by the settlement of inter-company debt due in Canadian dollars by our U.S. subsidiaries.

Interest income declined as the Company had less cash to invest in interest bearing accounts and because interest rates dropped significantly since this period last year.

Net loss for the Quarter

Summarized Statement of Net Loss

	Q2 2021	Q2 2020	Change	
	$	$	$	%
Revenue	1,053,665	619,470	434,195	70.1
Gross Profit	792,220	435,712	356,508	81.8
Expenses (net of cost capitalization)	(1,362,502)	(1,415,485)	(52,983)	(3.7)
Other expense (income)	(561,013)	(364,828)	196,185	53.8
Net loss	**(1,131,295)**	**(1,344,601)**	**213,306**	**(15.9)**

The increase in revenue and gross profit partially offset by the increase in expenses caused the net loss to reduce by $213,306. The reduction in the net loss is reflective of the Company's strategy to continue to invest in technology and product development today to increase revenue and gross profit opportunities in future periods.

H1 2021 compared to H1 2020

Revenue and Gross Profit

	H1 2021	H1 2020	Change	
	$	$	$	%
Recurring Revenue	1,847,207	2,203,094	(355,887)	(16.2)
Other revenue	160,375	91,862	68,513	74.6
Total Revenue	**2,007,582**	**2,294,956**	**(287,374)**	(12.5)
Direct costs	507,689	525,300	(17,611)	(3.4)
Gross profit	**1,499,893**	**1,769,656**	**(269,763)**	**(15.2)**
Gross margin	74.7%	77.1%	(2.4%)	(3.1)

The Company gained five new clients in the current period and existing clients increased their CIM usage compared to this period last year. Despite this, CIM revenue has not surpassed last year's due to one large client ingesting a very large number of ILI assessments into CIM in Q1 2020, as previously explained. This year's revenue growth was hampered by the effective U.S. to Canadian dollar exchange rate which decreased from 1.3555 to 1.2466 and which reduced revenue by $168,679 from what it would have been had the exchange rate remained constant year over year.

Direct costs in H1 2021 decreased compared to H1 2020 but increased as a percentage of sales from 22.9% to 25.3%. Higher royalty costs paid to a third party whose software is embedded in CIM increased by $39,358 and staff costs providing client CIM implementation services for new clients increased by $5,053. The Company's focus on increasing the efficiency of its Azure servers caused these expenses to reduce by $49,914 and commissions related to closed sales decreased by $10,517.

Gross profit decreased commensurate with the decrease in revenue and due to the higher portion of revenue absorbed by direct costs. The gross margin of 74.7% is viewed by Management as a low benchmark from which improvements are expected to be made in future periods as more clients are sold and onboarded.

Operating expenses:

	H1 2021	H1 2020	Change	
	$	$	$	%
Salaries and employee benefits	2,163,849	2,055,757	108,092	5.3
General and administration	400,723	336,813	63,910	19.0
Sales and marketing	316,109	249,167	66,942	26.9
	2,880,681	**2,641,737**	**238,944**	**9.0**
Software development costs capitalized	(54,361)	-	(54,361)	100.0
Operating expenses, net of costs capitalized	**2,826,320**	**2,641,737**	**184,583**	**7.0**

Salaries and employee benefits increased by $108,092. New staff hires caused compensation expense to increase by $316,010 over H1 2020. The Company recruited new personnel using internal, rather than external, resources for cost savings of $64,635 and reduced the number of contracted software developers for savings of $58,746, each figure being a reduction of the expense incurred in H1 2020. The allocation of staff salaries to direct costs for CIM implementation and to marketing expense for Production Trials of CIM increased by $81,972 over the same period last year which further reduced this group of expenses.

General and administrative expenses increased $63,910 over H1 2020. Legal fees associated with an action with Company as plaintiff increased by $75,972 and expenses related to year-end filings and the annual general meeting of the shareholders increased by $17,720. Costs for Microsoft Azure used for internal software development were reduced by $29,772 through more effective controls.

Sales and marketing expenses increased $66,942 in H1 2021 compared to H1 2020. The Company conducted more Production Trials in the current period and associated Azure costs and staff time increased costs by $73,336. Incentives paid to staff for Production Trials and closed sales increased by $24,581. Fees paid to an independent marketing company engaged in 2021 for webinar assistance and sales lead generation increased expense by $59,771. The Covid-19 pandemic stymied numerous other sales activities causing Company trade show attendance to decrease to near zero for a cost savings of $39,582. The lack of sales-related travel to visit current and prospective customers caused expenses to decrease by $25,676. Consultants engaged in 2020 to assist the Company with other marketing activities, including web site redesign, were reduced in 2021 for a savings of $28,198.

Software development costs from integrating risk management software purchased in Q1 2021 into CIM and other software development costs were capitalized in accordance with IFRS accounting standards.

Other expense (income)

	H1 2021	H12020	Change	
	$	$	$	%
Stock based compensation	516,444	387,070	129,374	33.4
Amortization of intangible assets	214,440	199,776	14,664	7.3
Depreciation of property and equipment	5,654	7,149	(1,495)	(20.9)
Foreign exchange loss (gain)	76,105	(73,554)	149,659	(203.5)
Interest income	(13,349)	(74,495)	61,146	(82.1)
	799,294	**445,946**	**353,348**	**79.2**

Stock compensation expense increased due to the granting of 3,400,000 new stock options in April 2021, with vesting ranging from immediate to three years.

The average U.S. to Canadian dollar exchange rate decreased from an average effective rate of $1.3651 in H1 2020 to $1.2466 in H1 2021. This decrease reduced the Canadian dollar value of the Company's net U.S. dollar financial assets creating the loss. In H1 2020, the opposite effect occurred, creating a gain.

Interest income declined as the Company had less cash to invest in interest bearing accounts and interest rates decreased significantly since this period last year.

Net loss

Summarized Statement of Net Loss

	H1 2021	H12020	Change	
	$	$	$	%
Revenue	2,007,582	2,294,956	(287,374)	(12.5)
Gross Profit	1,499,893	1,769,656	(269,763)	(15.2)
Expenses (net of cost capitalization)	(2,826,320)	(2,641,737)	184,583	7.0
Other expense (income)	(799,294)	(445,946)	353,348	79.2
Net loss	**(2,125,721)**	**(1,318,027)**	**(807,694)**	**61.3**

The increase in the net loss was caused by a reduction in the gross profit and increase in expenses. Management believes the continued investment of resources into additional staff and marketing activities will be beneficial to increasing revenue, gross profit, and cash flow in future periods.

FINANCIAL CONDITION & LIQUIDITY

	H1 2021	H1 2020	Change	
	$	$	$	%
Net loss	(2,125,721)	(1,318,027)	(807,694)	61.3
Items not involving cash	736,538	593,995	142,543	24.0
Funds used in operations	(1,389,183)	(724,032)	(665,151)	91.9
Working capital changes	1,470,480	(597,264)	2,067,744	(346.2)
Cash provided by (used in) operating activiti	81,297	(1,321,296)	1,402,593	(106.2)
Cash flow provided by financing activities	89,473	220,700	(131,227)	(59.5)
Cash flow used in investing activities	(192,918)	(9,767)	(183,151)	1,875.2
Effect of foreign exchange rate fluctuation in OneSoft U.S. operation	40,780	66,957	(26,177)	(39.1)
Net change in cash	18,632	(1,043,406)	1,062,038	(101.8)
Cash, beginning of period	7,223,241	10,512,039	(3,288,798)	(31.3)
Cash, end of period	**7,241,873**	**9,468,633**	**(2,226,760)**	**(23.5)**

Operations, before working capital changes, consumed cash of $1,389,183 in H1 2021, an increase of $665,151 from the cash of $724,032 used in H1 2020. The reduction in gross profit, increase in expenses, reduced interest income and loss on foreign exchange caused the increase in cash used by operations.

Working capital accounts, including non-current deferred revenue, generated $1,470,480 cash in H1 2021. Deferred revenue, in total, increased by $1,936,656 and cash was, in part, applied to increasing accounts receivable by $80,065 and decreasing accounts payable by $60,868. The balance of the cash was consumed financing the operating loss of the Company.

Employees and directors exercised stock options generating $89,473.

In the current period, the Company invested a total of $212,170 acquiring "Probability of Exceedance" risk management software with payment consisting of issuing OneSoft shares valued at $79,200 and the balance being paid in cash. Additionally, $31,258 of cost integrating this software into CIM and other software development costs of $23,103 were capitalized and new computers costing $5,587 were acquired.

During H1 2021 the Company generated cash of $18,632 increasing its cash to $7,241,873 from $7,223,241 as at December 31, 2020. The Company is currently active with various sales initiatives and Production Trials which Management believes may result in new contracts with customers, and cash generation therefrom. Management believes that the Company is adequately funded to continue software development projects, finance operations and pursue growth initiatives as envisioned, which we anticipate may increase value for all stakeholders.

Total Assets

Total assets of the Company on June 30, 2021 were $8,657,192, an increase of $210,803 from assets of $8,446,389 as at December 31, 2020. Cash balances increased $18,632 due to cash being received from customers who purchased or renewed CIM usage contracts, less cash applied to working capital accounts and financing the Company's loss. Accounts receivable increased by $79,875 as certain invoices were not collected by period-end. The carrying value of the Company's intangible assets and equipment increased by $272,975 due to new risk management software being acquired and software development costs being capitalized and decreased by $220,094 due to amortization and depreciation.

Total Liabilities

Total liabilities increased to $2,851,268 from $1,252,505 as at December 31, 2020. Current and non-current deferred revenue increased by $1,932,601 in H1 2021, comprised of $3,336,897 of new prepaid CIM contracts by clients (of which most is expected to be earned within one year and a small portion over two and one-half years) and decreased by $1,418,266 realized as earned revenue and adjusted by $22,929 for foreign exchange changes. Accounts payable and accrued liabilities decreased $333,839 primarily due to the payment of staff incentive compensation costs which had been accrued on December 31, 2020.

Commitment

The Company is committed to pay minimum royalties of US$2.25 million through December 20, 2027, on the revenue earned from certain third-party intellectual property embedded into components of the Company's CIM 3.0 solution. To June 30, 2021, royalties of U.S. $411,725 have been expensed and $339,130 have been paid.

Related party transactions

In H1 2021, the Company expensed $100,000 (H1 2020 - $100,000) in respect of contractual management fees and variable compensation paid to a company owned by Dwayne Kushniruk, CEO. No other compensation was paid directly to him. On June 30, 2021, $10,250 (December 31, 2020 - $157,987) was due to related parties for director and officer fees not paid at period-end

SHARE DATA

As at August 10,2021, the Company had outstanding:

- 117,338,147 common shares,
- 11,167,667 stock options with an average strike price of $0.51 and an average remaining life of 2.83 years. Of these, 7,084,340 with an average remaining life of 2.0 years are exercisable at an average strike price of $0.47. The number of options available under the Stock Option Plan for granting purposes was 566,148.

Year-to-date, directors, officers, and employees exercised 1,667,334 stock options with an average strike price of $0.17 to acquire the same number of common shares. Cash proceeds were $281,473. Also in this period, the Company granted 3,400,000 stock options with vesting from immediate to three years, a term of five years and with an average strike price of $0.63. 100,000 stock options were cancelled in the same period.

RISKS AND UNCERTAINTIES

Covid-19 World Pandemic

The ongoing COVID-19 global pandemic, and actions taken by governmental authorities in response thereto has resulted in increased volatility in financial and commodity markets; an overall slowdown in the global economy followed by an uncertain recovery; disruptions to global supply chains; reductions in trade volumes; temporary operational restrictions and restrictions on gatherings of individuals, business closures and travel bans and increased political and economic instability. The global pandemic has caused interruptions in and to the Company's customers. While energy prices and demand have recently recovered from lows experienced in the last two years, volatility in energy prices may recur and impact the demand for petroleum products and related transportation services and continue to expose our customers to reduced transportation revenue and without the prospect of a quick, strong recovery in their revenues. The full extent and impact of the COVID-19 pandemic is unknown at this time and the degree to which it may impact our business operations and financial results will depend on future developments, which are highly uncertain and cannot be predicted with any degree of confidence, including: the duration, severity and geographic spread of the COVID-19 virus and the impact of related variants; further actions that may be taken by governmental authorities including in respect of removing and re-imposing travel restrictions and business disruptions; the effectiveness of actions taken to contain and treat the virus; and how quickly and to what extent normal economic and operating conditions can resume. While to date there has been no material impact on the Company's operations with its existing customers or on our software development and other operations as all employees were working from home offices prior to the pandemic, the Company was slowed in signing prospective customers to commercial contracts as marketing and sales efforts were impacted by the effect of the pandemic and only very recently have customer offices in the USA and Canada begun a slow but steady re-population of staff. The Company is optimistic the worst effects of the virus are behind it, but it will continue to assess the situation for adverse effects on its financial position (including possible impairment of the values ascribed to its intangible assets and goodwill), results of operations and cash flows.

Other Risks and Uncertainties

OneSoft is subject to business and economic risks. The reader is directed to page 18 of the Management's Discussion and Analysis for the year ended December 31, 2020 for a full description of the risks and uncertainties the Company is subject to.

FINANCIAL INSTRUMENTS

Financial instruments

Categories of financial instruments

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

	June 30, 2021	December 31, 2020
Financial assets	$	$
Cash and cash equivalents	7,241,873	7,223,241
Trade and other receivables	275,134	195,259
	7,517,007	7,418,500
Financial Liabilities		
Accounts payable and accrued liabilities	505,121	838,959

Measurement of fair value

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

Financial instrument risks

Risk management objectives and policies

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

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

Foreign currency sensitivity

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

	June 30, 2021 $ (USD)	December 31, 2020 $ (USD)
Cash and cash equivalents	2,989,147	1,537,186
Trade and other receivables	107,545	17,603
Accounts payable and accrued liabilities	(239,227)	(251,790)
Total exposure	2,857,465	1,302,999

The Company also had outstanding trade receivables of $130,247 (December 31, 220 - $nil) denominated in Australian dollars.

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

It assumes a +/- 10% change of the $/USD and $/AUD exchange rate for the period ended June 30, 2021 (year ended December 31, 2020 - 10%). This percentage was determined based on the average market volatility in the exchange rate in each reporting period. The sensitivity analysis is based on the Company's foreign currency financial instruments held at each reporting date and considers forward exchange contracts that offset effects from changes in currency exchange rates.

Strengthening or weakening of the Canadian dollar against the USD and AUD by 10% (December 31, 2020 - 10%) would have had the following applicable positive or negative impact on net (loss) income:

	Profit	Equity
	$	$
June 30, 2021	214,241	214,241
December 31, 2020	29,171	29,171

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

Interest rate sensitivity

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

The following table illustrates the sensitivity of profit and equity to a reasonably possible change in interest rates of +/- 1% (December 31, 2020: +/- 1%). These changes are 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 June 30, 2021, approximately 97.6% (December 31, 2020 – 92.8%) of the Company's cash balances were held in interest bearing bank balances and fixed interest rate GICs.

	Profit	Equity
	$	$
June 30, 2021	51,594	51,594
December 31, 2020	49,157	49,157

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:

	June 30, 2021	December 31, 2020
	$	$
Classes of financial assets - carrying amounts:		
Cash and cash equivalents	7,241,873	7,223,241
Trade and other receivables	275,134	195,259
Carrying amount	7,517,007	7,418,500

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 providing customers incentives to pay in advance or invoicing with short credit terms and actively collecting its accounts receivable. The Company is exposed to credit risk through its cash. The Company manages the credit risk associated with its cash by holding its funds with reputable financial institutions. Company policy forbids investment of cash and cash equivalents into any financial instrument where the principal may be at risk.

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

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

All accounts receivable were current as at June 30, 2021 and December 31, 2020 and the balance of the allowance for doubtful accounts as at both periods was $nil.

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

Liquidity risk analysis

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

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

The Company's financial liabilities are short-term in nature and payment is due within one year. Financial liabilities outstanding were June 30, 2021 - $505,121 (December 31, 2020 - $838,959).

The Company considers cash flows from financial assets of $7,517,007 (December 31, 2020 - $7,418,500) in assessing and managing liquidity risk. The Company's existing cash resources and trade receivables exceed its current cash outflow requirements. Cash flows from trade and other receivables are contractually due within two months.

CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Revenue and deferred revenue

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

Determination of functional currency

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

Useful lives of depreciable assets

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

Stock based compensation

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

Business combinations and goodwill

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

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

CHANGES IN ACCOUNTING POLICIES

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

MEASURES NOT IN ACCORDANCE WITH IFRS

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

business. The following is a reconciliation of Adjusted EBITDA to net income (loss) for each of the annual periods presented in this MD&A.

	Q2 2021	Q2 202	H1 2021	H1 2020
	$	$	$	$
Net loss	(1,131,295)	(1,344,601)	(2,125,721)	(1,318,027)
Add (subtract):				
Depreciation and amortization	111,837	103,295	220,094	206,925
Stock based compensation	384,809	221,924	516,444	387,070
Interest income	(4,994)	(29,624)	(13,349)	(74,495)
Adjusted EBITDA	(639,643)	(1,049,006)	(1,402,532)	(798,527)

ADVISORY REGARDING FORWARD LOOKING INFORMATION

This MD&A, the unaudited interim consolidated Financial Statements for the three and six months ended June 30, 2021, the audited consolidated Financial Statements for the year ended December 31, 2020 and the audited consolidated Financial Statements for the year ended December 31, 2019 (the "2021 Reporting Documents") contain historical information, descriptions of current circumstances and statements about potential future developments and anticipated financial results, performance or achievements of the Company. Statements made regarding potential future developments, and anticipated financial results, performance or achievements of the Company are forward-looking statements and are presented to provide guidance to the reader but their accuracy depends on assumptions and are subject to various known and unknown risks and uncertainties. Forward-looking statements are included under the headings:" Highlights of the Three and Six Months ended June 30, 2021", "Outlook", "Subsequent to Period-End", "Financial Condition and Liquidity", Post-Reporting Date Event" and "Risks and Uncertainties" and in other sections of this MD&A. When used in the MD&A, such statements may contain such words as "may," "will," "intend," "should," "expect," "believe," "outlook," "predict," "remain," "anticipate," "estimate," "potential," "continue," "plan," "could," "might," "project," "targeting" or the negative of these terms or other similar terminology. Forward looking information in the 2021 Reporting Documents includes, without limitation, statements regarding funding requirements. These statements are based on management's current expectations regarding future events and operating performance, are based on information currently available to management, speak only as of the date of the 2021 Reporting Documents and are subject to risks which are described on page 11 of this MD&A and in the Company's public filings on the Canadian Securities Administrators' website at www.sedar.com ("**SEDAR**") and as updated from time to time, and would include, but are not limited to the effects of the Covid-19 world pandemic and related effects on the North American global economy which may transit to OneSoft Solutions, dependence on market economic conditions, the efficacy of the Company's software products, sales and margin risk, acquisition and integration risks, competition, information system risks, risks associated with the introduction of new products, product design risk, environmental risks, customer and vendor risks, credit risks, currency risks, tax risks, risks of legislative changes, risks relating to remote operations, key executive risk and litigation risks. In addition, there are numerous risks associated with an investment in the Company's common shares, which are also further described in the "Risks and Uncertainties" section in this MD&A, and as updated from time to time, the Company's other public filings on SEDAR. These risks and uncertainties may cause actual results to differ materially from those contained in the statements. Such statements reflect management's current views and are based on certain assumptions. Some of the key assumptions include but are not limited to assumptions regarding the performance of the Canadian and the United States economies; interest rates; exchange rates; capital availability; the amount of the Company's cash flow from operations; tax laws; laws and regulations relating to the protection of the environment; and capital spending requirements or planning in respect thereto, including but not limited to the performance of any such business and its operation. They are, by necessity, only estimates of future developments and actual developments may differ materially from these statements due to known and unknown factors. Investors are cautioned not to place undue reliance on these forward-looking statements. All forward-looking information in the 2021 Reporting Documents is qualified by these cautionary statements. Although the forward-looking information contained these 2021 Reporting Documents is based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. Certain statements included in the 2021 Reporting Documents may be considered "financial outlook" for purposes of applicable securities laws, and such financial outlook may not be appropriate for purposes other than these 2020 Reporting Documents.

The forward-looking statements contained in the 2021 Reporting Documents are made as of the date of this report and should not be relied upon as representing management's views as of any date after the date of this report. Except as required by applicable law, the Company undertakes no obligation to publicly update or otherwise revise any forward-looking statement, whether because of new information, future events, or otherwise.