

## **ONESOFT SOLUTIONS INC.**

**2022**

**Q1**

**Management's Discussion & Analysis**

**Three months ended March 31, 2022**

This Management's Discussion and Analysis ("MD&A") is dated May 17, 2022.

## INTRODUCTION

This MD&A of the financial condition and results of operations has been prepared for the three months ended March 31, 2022 and discusses the Company's financial performance, business overview, strategy and outlook from management's viewpoint. It should be read in conjunction with the unaudited condensed consolidated interim financial statements and accompanying notes for the three months ended March 31, 2022 and the audited consolidated financial statements and notes thereto for the year ended December 31, 2021. The financial statements and additional Company information are available to view on [www.onesoft.ca](http://www.onesoft.ca) and on [www.sedar.com](http://www.sedar.com). References in this MD&A to "OneSoft", the "Company", "OSS", "us", "we", and "our" mean OneSoft Solutions Inc. and its subsidiaries, unless the context otherwise suggests.

The Company's consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and include the accounts of OneSoft and its wholly owned subsidiaries: OneBridge Solutions, Inc., OneBridge Solutions Canada Inc. (together referenced in this MD&A as "**OneBridge**") 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 U.S.A., under the symbol "OSSIF".

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

## GLOSSARY: 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.
- "**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.
- "**Q1 2022**" means the three-month period January 1 through March 31, 2022.
- "**Q2 2022**" means the three-month period April 1 through June 30, 2022.

"**ARR**" means annual recurring revenue from SaaS subscriptions, data ingestion, Microsoft Azure and specialized functionality module fees associated with CIM, which may repeat each month but in varying amounts. ARR is comprised of: (a) fixed recurring revenue, which includes CIM subscription fees that vary nominally over a contract subscription period; and (b) repeating revenue, which varies month to month depending upon the number of pipeline inspection files ingested each month and the use of optional software functionality by clients. Reported ARR includes only revenue recognized in a period. It does not reflect the total contractual amount of revenue to be provided by customers in future periods.

"**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 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, a cloud platform which features ninety plus cyber security compliance certificates.

"**CIM**" or "**Cognitive Integrity Management™**" is the Company's software-as-a-service software solutions that address 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. CIM is comprised of several modules, as follows:

- "**ILI Management**" is the Company's first software module developed that automatically normalizes (irrespective of the multiple data schemas used by different ILI vendors over decades), ingests, aligns and analyzes pipeline in-line inspection (ILI) data files using data science and proprietary machine learning algorithms. Revenue generation from ILI Management commenced in January 2017.

Management believes this module is revolutionary when compared with legacy processes currently used. Legacy ILI data matching typically requires multiple weeks for highly trained engineers or consultants using Excel spreadsheets to align and analyze only a subset of data from two ILI data sets (i.e., the most current and next most current ILI datasets) and thereafter apply that sample analysis to extrapolate predictions for the remainder of the pipe being analyzed. Typical costs for consultants to perform this task with legacy systems vary between US \$5,000 and \$8,000 to match two ILI data sets, depending upon the volume of data that is aligned and matched.

CIM ILI Management automatically ingests and aligns 100% of the data, for any number of ILI datasets, in only minutes or hours (depending upon the volume of historic data being analyzed), essentially by dragging and dropping the ILI data files onto CIM and pressing a key to start the process. In addition to significant time and cost savings, CIM analytics to assess pipe conditions are

greatly improved by using 100% of the data collected over time, compared to extrapolating results from only sample data points from two ILI data sets.

- **“CIM Core”** is the Company’s second software module that addresses the core operational logistics and regulatory compliance functions that pipeline operators need to perform to operate their pipelines. CIM Core functionality includes ILI Management; Assessment Planning; Dig Management (including selection of PIG vendor and management of excavations, inspections and repairs); Threat Monitoring; GIS Data Correlation; Logistical System and Process Management Systems; and extensive Reporting and Data Visualization functions.

After using and validating the Company’s ILI Management software during 2017, [Phillips 66](#) decided to provide their on-premise software and IP that they used to conduct pipeline integrity management processes (which they developed over the course of approximately 15 years) along with funding assistance, for OneSoft to integrate into CIM to operate on Microsoft’s cloud platform. This became the Company’s second revenue generating module in 2019, and provides functionality required by all pipeline operators.

CIM Core’s capability to store and align disparate data allows holistic integration of departmental operations and enables capability to query big data for unique relationships. For example, a user can identify all instances where a crack and a dent near a girth-weld exist on pipelines situated within high consequence areas which encompasses ILI, pipe properties, map and regulatory data by querying a single database, rather than combing through siloed, un-aligned and unconnected data sets.

Mandatory regulatory compliance requirements call for certain highly complex data relationship assessments. Garnering input from early adopter clients, CIM Core now contains algorithms and queries that can detect and report on nearly 300 pipeline threats and excavation criteria, inclusive of both regulatory and operator best practices.

- **“CIM Platform”** is the data hub structure that evolved from CIM ILI and CIM Core modules, wherein data ingestion, normalization and analytics capabilities were enhanced to process the various additional data sets that pipeline operators use to perform other aspects of pipeline asset and operational management. The architecture of the CIM Platform was initially determined using “frog” design software concepts introduced during our collaborative work with Microsoft at Accelerator in 2016 and optimized to leverage big data management and analytics using machine learning and cloud computing. Management believes that our approach uniquely differentiates OneSoft from other O&G software vendors, who still perpetuate legacy software development methodologies that favor stand-alone modules destined to operate in siloed fashion, without capability to deliver CIM-type benefits. Although it is foundational to the Company’s other CIM modules, the CIM Platform by itself has not yet been commercialized for revenue generation.
- **“Corrosion Management”** means the Company’s software module currently under development to address internal and external corrosion, with data management and analytics for corrosion coupons, sampling, pigging, transported material flow velocity and flow mode, chemical usage and external pipeline corrosion caused by elements in the atmosphere and surrounding environment. Corrosion Management data is correlated to ILI data to monitor trends, forecast chemical spend and pipeline forecasted life to determine overall corrosion mitigation effectiveness. When completed, this module will be marketed using the Consumption Economics model.
- **“Crack Management”** means the Company’s software module currently under development to assist pipeline operators with data analytics concerning integrity and threat management associated with pipeline cracks, generally in accordance with recommended operating practices pursuant to API RP 1176 and both US and Canadian regulations. When completed, this module will be marketed using the Consumption Economics model.
- **“Risk Management”** means the Company’s quantitative risk software module currently under development. Risk Management embeds [C-FER Technologies’](#) nine probabilistic threat models into CIM (External Corrosion; Internal Corrosion; Stress Corrosion Cracking; Manufacturing-Related Defects; Welding/Fabrication Defects; Equipment; Third Party / Mechanical Damage; Weather & Outside Force; and Incorrect Operation) which collectively address pipeline operations regulation ASME B31.8S. When completed, this module will be marketed using the Consumption Economics model.
- **“Geohazard Management”** means the software module currently being researched in the Company’s Innovation Lab to assess seismic, earth movement, soil and water factors that contribute to potential pipeline strain and failures. The Company has not yet committed to develop and commercialize Geohazard Management, pending further technical and market due diligence that is currently ongoing. If it is completed, this module will be marketed using the Consumption Economics model.

**“Cloud computing”** is the delivery of computing services—including servers, storage, databases, networking, software, analytics, and intelligence—over the Internet (“the cloud”) to offer faster innovation, flexible resources, and economies of scale. Customers generally pay only for the cloud service components they use, helping to lower operating costs, run infrastructure more efficiently, and provide scale as the business needs change.

**“Consumption Economics”** means a SaaS deployment and fee model wherein certain software functionality will be accessible for use by CIM users on an as-required basis. CIM users may be charged a fixed monthly fee for access and / or a variable fee based on usage.

**“Deferred Revenue”** means prepayments from customers for the use of CIM. **“Deferred Revenue – Current”** is expected to be recognized in revenue in the next 12 months and **“Deferred Revenue – Non-current”** is expected to be recognized in revenue after the ensuing twelve months.

**“ESG”** means Environmental, Social and Governance. ESG criteria are used by socially conscious investors to screen potential investments, based on how a company manages its impact on the environment, maintains relations with stakeholders and how the Board of Directors and management govern the Company to ensure its effectiveness and continuing compliance with all related laws and regulations.

**“GIS”** means geographic information system, which spatially connects objects (e.g., pipeline assets) to a map.

**“IFRS”** means International Financial Reporting Standards.

**“IC”** means internal corrosion, which occurs due to environmental conditions inside steel pipelines wherein deterioration of metal from oxidation of the iron results in metal loss and potential strength loss that can cause pipeline failures.

**“ILI”** means inline inspection of pipelines. ILI tools, or **“PIGS”** (pipeline inspection gauges) are tools equipped with distance measuring and condition measuring devices that are placed in a pipeline and propelled from a launch valve to a receiving valve by the product (typically oil or gas) to inspect pipelines for evidence of internal or external corrosion, deformations, laminations, cracks, or other defects. There are more than 50 PIG vendors who provide various measuring technologies such as magnetic flux leakage (**“MFL”**) and ultrasonic (**“UT”**).

**“IoT”** means the Internet of Things which describes groups of physical objects (each an **“IoT Device”**) that are embedded with sensors, processing capability, software or other technologies that connect with and exchange data with other devices and systems over the internet for data communication and analysis. In the pipeline industry, IoT may involve connecting devices such as rectifiers, test posts and leak detection devices to the internet to facilitate remote monitoring and in some cases remote control.

**“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.

**“Minimally Viable Product”** or **“MVP”** is a core component of the software development methodology described by Eric Ries in his book, *The Lean Startup*. Utilization of the MVP concept is based on a “build-measure-learn” concept to incorporate customer learnings and feedback from the outset to ensure that development resources and efforts expended address only software functionality that is required and desired by customers. OneSoft has used the [Lean Startup and MVP methodologies](#) to develop its solutions throughout its development of the CIM platform.

**“O&G”** means oil and gas.

**“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 services such as CIM Production Trials, commissions, software development fees that are invoiced to third parties and miscellaneous other project fees, which may recur at irregular intervals.

**“PIG”** means pipeline inspection gauge, a device that is fitted with sensors to detect features (valves, girth welds, etc.) and anomalies (e.g., corrosion and other pipe wall loss conditions) as it travels along the pipeline, usually propelled by the product in the pipeline. Data captured between the launch and receive valves is stored during the PIG run and subsequently retrieved for analysis and comparison to data captured in prior PIG run(s) on the same pipeline segment.

**“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 internal control reporting framework developed by the American Institute of Certified Public Accountants for service organizations. OneBridge Solutions has engaged an independent third-party auditor to assess and test the internal controls the Company has established in and around its CIM solution relating to criteria of security to ensure the Company complies with the SOC 2 set of standards. Certification of compliance with SOC 2 is intended to meet the demands of 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.

**“SME”** means subject matter expert.

## OVERVIEW

OneSoft Solutions Inc. is a leading provider of software solutions which enable oil and gas pipeline companies to extract and unlock value from their unused and underused company data to improve decision making regarding safety, operational logistics and regulatory compliance matters, the benefit of which reduces risks and operational costs. OneSoft provides state-of-the-art SaaS solutions that leverage advanced data science and machine learning, operating on Microsoft's Azure cloud computing platform.

Data analysis performed by pipeline companies currently relies primarily upon inefficient Excel-based spreadsheets and/or, in some cases, company-developed on-premise software solutions wherein numerous data sets used in decision-making are siloed, unconnected and not aligned. OneSoft aggregates the company data into one large database. We have first-mover advantage with our new technology solutions and compete for market share with industry vendors who promote the legacy systems that generally require extensive manual inputs from company employees and/or consultants to operate.

Adoption of OneSoft's solutions provide customers with the capability to aggregate, align and analyze various data sets that pipeline companies require to operate their assets efficiently. Pipeline integrity management is complex, requiring analyses of multiple large data files. Oil and gas pipeline companies operate in a highly regulated environment due to the potential damage caused by pipeline release events and may suffer costly pipeline shutdowns and assessment of large fines imposed by regulators if compliance is not maintained. OneSoft's solutions automate the ingestion, normalization and alignment of big data, with advanced capability to filter the data to identify potential threats to pipelines and facilitate threat mitigation, risk reduction and compliance with regulatory standards, including "audit-readiness" at all times.

All commercial business operations are conducted through the OneSoft's wholly-owned subsidiaries. Revenue is generated using a SaaS deployment model. All products are developed using Microsoft's Cloud technologies and operate on the Azure cloud platform which computing centers are available worldwide and have the utmost in data security.

## HIGHLIGHTS OF QUARTER ENDED MARCH 31, 2022

### 2022 Financial Metrics

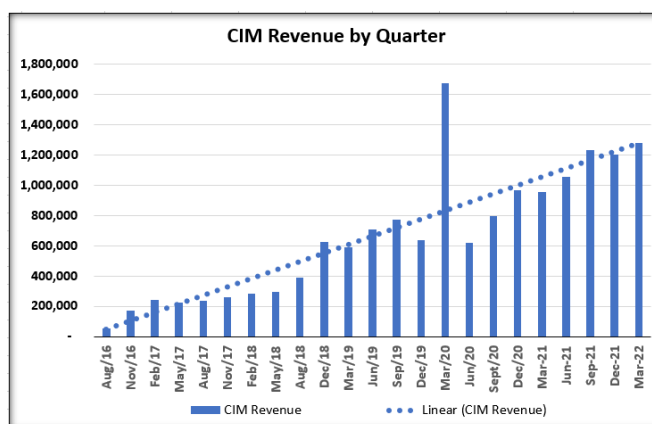
Quarterly financial metrics are summarized in the table below, with a comparison to the same period last year. OneSoft tracks revenues in two main categories, ARR and Other Revenue

OneSoft SaaS Metrics	Three months ended:		Year ended:	
	Q1 2022	Q1 2021	Dec. 31, 2021	Dec. 31, 2020
Revenue as reported in the Financial Statements	\$ 1,279,764	\$ 953,916	\$ 4,441,952	\$ 4,056,077
Revenue categorization:				
Annual Recurring Revenue ("ARR")	\$ 1,223,295	\$ 876,722	\$ 4,072,522	\$ 3,872,393
Other Revenue	\$ 56,469	\$ 77,194	\$ 369,430	\$ 183,684
Total Revenue	\$ 1,279,764	\$ 953,916	\$ 4,441,952	\$ 4,056,077
Direct Costs	\$ 382,493	\$ 246,244	\$ 1,124,797	\$ 921,462
Gross profit	\$ 897,271	\$ 707,672	\$ 3,317,155	\$ 3,134,615
Direct Costs as % of ARR and Other Revenue	30%	26%	25%	23%
Gross profit as % of ARR and Other Revenue	70%	74%	75%	77%
ARR as % of Total Revenue	96%	92%	92%	95%
ARR Growth (Qtr / Qtr, YTD / YTD)	40%	(46%)	5%	57%

- Revenue for Q1 Fiscal 2022 increased \$325,848 or 34.2% over Q1 Fiscal 2021, primarily due to addition of new customers in fiscal 2021.
- Gross profit as a percentage of sales declined to 70% in Q1 2022 from our fiscal 2021 average of 75%, due to higher staff costs assisting new customer implementations and providing ongoing support and a shift in product sales which resulted in an increased royalty expense.
- The net loss was \$1,064,201 in Q1 2022, \$69,776 higher than in Q1 2021. Management is continuing to invest in additional resources to grow its products which it believes will increase revenues in future quarters when development has been completed.
- New and renewed customer contracts caused accounts receivable to increase from \$0.2 million at December 31, 2021 to \$3.1 million at March 31, 2022. The customer contracts, which included some commitments to increased higher CIM usage in Fiscal 2022, also caused a significant increase in deferred revenue, which increased by 321% from \$1.2 million

at December 31, 2021 to \$3.8 million at March 31, 2022. We anticipate that the majority of the accounts receivable will be collected by the end of Q2 2022.

- Liquid assets (cash of \$4.3 million and accounts receivable of \$3.1 million) totaled \$7.4 million at March 31, 2022. (\$5.7 million at December 31, 2021), and the Company has no debt. Assuming no significant changes in current business strategies and cash consumption, Management believes the Company has sufficient cash on hand to fund its business plan as envisioned for Fiscal 2022.
- The chart below shows CIM revenue for the past twenty-three quarters. CIM revenue spikes like the one in Q1 2020 is not likely to repeat in future periods, as it is more probable that loading of logs and their corresponding revenue recognition will be more evenly distributed over future quarters. Revenue reflects a consistent growth trend, driven by an increasingly larger customer base.
- Management draws reader attention to the dotted line, which illustrates CIM's compounded annual revenue growth rate of 76.9%, based on linear growth over 5.75 years. Management is focused on increasing CIM revenues to drive cash flow and profitability which we believe will increase future Company value for shareholders.



managers responsible for allocation of resources and purchasing decisions on a holistic company value approach, as opposed to departmental management, whose focus is more myopic. Revised sales and marketing strategies will be deployed in Fiscal 2022, along with additional case studies and white papers that support OneSoft's unique value proposition including the high value gain and advantageous use-experience of OneSoft customers that have adopted CIM. The Company recruited and appointed a new Vice President of Sales in Q1 2022 to operationalize these objectives.

We believe that our first mover advantage, strong validation of our technology and products, and positioning of CIM to be the foundational data-hub for digital transformation jointly create the foundation to build the market leading company envisioned by Management. We anticipate that our client relationships will remain strong for years, providing we continue to deliver technologically advanced solutions that assist operators to reduce pipeline failures, realize cost savings, and unlock trapped value from unused and underutilized data.

We believe our solutions align with several disruptive technology trends that enhance future opportunity and value creation, including the following:

- Customers must keep pace with the digital world – real time, on demand and data driven. OneSoft's "as-a-service" technology models drive cost-effective efficiencies for operations.
- Our machine learning platform captures and leverages data to drive actionable analytics and replaces legacy systems and processes. Adoption of new CIM-type technology is no longer optional for customers who want to operate competitively.
- COVID-19 has changed employment patterns at a fundamental level, which drives more dependence on technologies that enhance automation and efficiencies, particularly because CIM functionality enables less experienced workers to perform tasks that traditionally required experienced workers with deep expertise to perform data analytics.

Much of the increasingly specialized services expertise can be automated with CIM technology, rather than hiring additional services personnel to do the work manually and who bill on a time and materials basis, as has been done historically.

Marketing and sales initiatives are active in the USA, Canada, Australia, and certain countries in Europe and South America, which we anticipate will result in CIM sales in future periods. Innovation Lab and business development initiatives are also underway, including recruiting CIM resellers, investigating joint venture arrangements with synergistic companies and pursuing new potential markets and revenue sources where CIM technology and products can be applied. We believe that maximizing reinvestment of cash and resources to grow the business by engaging new clients and advancing our technological lead and competitive moat will maximize shareholder value.

Given the Company's strong balance sheet with \$4.3 million of cash and \$3.1 million of accounts receivable at Q1 2022 period end, no debt, budgeted cash burn rate and anticipated revenue for Fiscal 2022, Management believes the Company is sufficiently funded to execute its Fiscal 2022 business plans as currently envisioned without requirement to raise additional capital.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

The Company published information regarding its ESG practices in its MD&A for the year ended December 31, 2021 filed on SEDAR on March 30, 2022. Updates will be provided in future disclosures as they occur.

## RESULTS OF OPERATIONS

### SUMMARY OF QUARTERLY RESULTS

	FY 2022	FY 2021				FY 2020		
(\$ 000's, per Share in Dollars)	Mar 31	Dec 31	Sept 30	Jun 30	Mar 31	Dec 31	Sept 30	June 30
Revenue	1,280	1,201	1,233	1,054	954	966	795	619
Gross profit	897	880	937	792	708	776	589	436
Operating expenses (net of software development costs capitalized)	1,672	1,588	1,377	1,363	1,464	1,641	1,371	1,415
Comprehensive (loss) income	(1,049)	(1,044)	(744)	(1,070)	(1,003)	(944)	(996)	(1,350)
Basic and diluted loss per share:	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)



## Quarter ended March 31, 2022 compared to Quarter ended March 31, 2021

## Revenue and Gross Profit

	March 31, 2022	March 31, 2021	Change	
	\$	\$	\$	%
Recurring revenue	1,223,295	889,382	333,913	37.5
Other revenue	56,469	64,534	(8,065)	(12.5)
<b>Total Revenue</b>	<b>1,279,764</b>	<b>953,916</b>	<b>325,848</b>	<b>34.2</b>
Direct costs	382,493	246,244	136,249	55.3
<b>Gross profit</b>	<b>897,271</b>	<b>707,672</b>	<b>189,599</b>	<b>26.8</b>
Gross margin	70.1%	74.2%	(4.1)	(5.5)

Revenue in Q1 2022 was \$1,279,464, an increase of \$325,848 from Q1 2021 revenue. New customers added in 2021 drove the revenue increase.

Gross profit increased by \$241,734 due to the increase in revenue and it decreased \$52,135 due to higher software royalty expense and staff labor costs for a net gross profit increase of \$189,599. The cost increases caused the gross margin to decline from 74.2% to 70.1%.

## Expenses:

	March 31, 2022	March 31, 2021	Change	
	\$	\$	\$	%
Salaries and employee benefits	1,292,917	1,154,899	138,018	12.0
Sales and marketing	252,399	124,847	127,552	102.2
General and administration	226,993	184,071	42,922	23.3
	<b>1,772,309</b>	<b>1,463,817</b>	<b>308,492</b>	<b>21.1</b>
Software development costs capitalized	(100,049)	-	(100,049)	100.0
Operating expenses, net of costs capitalized	<b>1,672,260</b>	<b>1,463,817</b>	<b>208,443</b>	<b>14.2</b>

Salaries and employee benefits expense increased \$138,018. Compensation expense increased \$226,684 due to wage increases and accruals for incentive plans. Staff salaries allocated to direct costs and to sales and marketing expense increased \$102,351 as more support was required for new CIM implementations and Production Trials this quarter.

Sales and marketing expenses increased \$127,552 this quarter compared to Q1 of 2021, due to higher costs associated with Production Trials, attendance at trade shows, advertising to generate new leads and expenses associated with SOC 2 Type 2 certification.

General and administrative expenses increased \$42,922 in the current quarter. The accrual for the annual audit was increased and the uncertain collectability of an account caused a provision of \$10,256 to be recorded. Accruals of annual filing fees paid to the various Canadian securities commissions had the effect of reducing this quarter's expense by \$13,600 on a comparative basis. Azure fees related to internal development and other software used internally increased by \$17,700 in the quarter. Legal fees arising from an action where the Company is plaintiff increased by \$4,120.

In Q1 2022, software development costs related to the integration of C-FER Risk products into CIM, Atmospheric Survey corrosion and Pipeline lateral strain measurement were capitalized.

## Other expense (income):

	March 31, 2022	March 31, 2021	Change	
	\$	\$	\$	%
Stock based compensation	179,061	131,635	47,426	36.0
Amortization of intangible assets	85,597	104,919	(19,322)	(18.4)
Depreciation of property and equipment	3,821	3,068	753	24.5
Interest income	(4,961)	(8,356)	3,395	(40.6)
Foreign exchange loss	25,694	7,014	18,680	266.3
	<b>289,212</b>	<b>238,280</b>	<b>50,932</b>	<b>21.4</b>



Stock based compensation expense increased due to the number of option grants made in prior periods.

Amortization declined as certain assets became fully amortized in prior quarters.

The reduction in the U.S. to Canadian dollar foreign exchange rate caused the Canadian equivalent of the Company's U.S. assets to reduce in value creating the foreign exchange loss.

#### Net loss

In the current quarter, revenue and gross profit increased by \$325,848 and \$189,599, respectively. The Company's continued investment in product development and revenue growth initiatives caused operating expenses to increase by net \$208,443 after capitalizing \$100,049 of these costs. Other expenses increased by \$50,932 in the quarter. These factors caused the net loss to be \$1,064,201 in Q1 2022, an increase from the net loss of \$994,425 recorded in Q1 2021.

The comprehensive loss in Q1 2022 aligns with Management's expectation and reflects the Company's strategy to continue to invest in technology and product development today to increase revenue opportunities in future periods.

#### FINANCIAL CONDITION & LIQUIDITY

	Three months ended:			
	March 31, 2022	March 31, 2021	Change	
	\$	\$	\$	%
Net loss	(1,064,201)	(994,425)	(69,776)	7.0
Items not involving cash	268,479	239,622	28,857	12.0
Cash used in operations	(795,722)	(754,803)	(40,919)	5.4
Working capital and non-current deferred revenue changes	(309,747)	1,044,062	(1,353,809)	129.7
Cash (used in) provided by operating activities	(1,105,469)	289,259	(1,394,728)	482.2
Cash provided by financing activities	3,833	79,473	(75,640)	(95.2)
Cash used in investing activities	(104,662)	(132,970)	28,308	21.3
Effect of foreign exchange on cash	(1,635)	(24,274)	22,639	(93.3)
Net change in cash	(1,207,933)	211,488	(1,419,421)	671.2
Cash, beginning of period	5,509,469	7,223,241	(1,713,772)	(23.7)
<b>Cash, end of period</b>	<b>4,301,536</b>	<b>7,434,729</b>	<b>(3,133,193)</b>	<b>(42.1)</b>

Operations, before working capital changes, consumed cash of \$795,722 in Q1 2022, an increase of \$40,919 from the cash of \$754,803 used in Q1 2021. The Company's increased net loss caused the increase in cash consumption.

Working capital accounts (inclusive of non-current deferred revenue) consumed \$309,747 cash in Q1 2022. Several customers renewed their CIM contracts in the period, but did not pay until after period-end, causing accounts receivable to increase by \$2,882,682. This working capital consumption was offset by deferred revenue increasing by \$2,672,610. The cash consumed by working capital accounts in Q1 2022 contrasted with the cash generated by these accounts in Q1 2021 of \$1,044,062 when customers paid the invoices for contracts within the quarter.

In Q1 2022, the Company's investment in new product development was \$100,049.

During Q1 2022 the Company used cash of \$1,207,933, reducing cash to \$4,301,536 from \$5,509,469 as at December 31, 2021. The Company expects to increase its cash balances by the end of Q2 2022 by collecting the majority of the outstanding accounts receivable balances. Management believes that the Company is adequately funded for Fiscal 2022 to continue its software development projects and business plans as envisioned.

#### Total Assets

Total assets of the Company at March 31, 2022 were \$8,626,790, an increase of \$1,725,505 from assets of \$6,901,285 as at December 31, 2021. Cash decreased \$1,207,933 as cash was consumed in operations in the period. Accounts receivable increased by \$2,841,726 due to the contractual renewals by existing customers, which amounts were not collected by period-end due to trade terms. Prepaid expenses increased by \$76,627 as payments were made for the Company's insurance policies and for upcoming trade shows and investor events. The carrying value of the Company's intangible assets and equipment increased by \$100,049 due to the capitalization of new product development and decreased by \$85,597 due to amortization and depreciation.

#### Total Liabilities

Total liabilities increased to \$4,375,611 from \$2,022,093 as at December 31, 2021. Deferred revenue increased 321% or \$2,619,955 in Q1 2022 comprised of \$3,454,487 in new and renewed prepaid CIM contracts and it decreased by \$829,447 realized as earned revenue. Accounts payable and accrued liabilities decreased \$27,501. Staff variable compensation expenses of \$310,777 accrued as at December 31, 2021 were paid in the quarter which reduction was offset by the recording of new accounts payable and other accruals totaling \$286,276.

### Commitment

The Company is committed to pay minimum royalties of US\$2.25 million through December 20, 2027 on the revenue earned from components of its CIM 3.0 solution for the use of certain embedded third-party intellectual property. To March 31, 2022, royalties of U.S. \$686,303 have been expensed and U.S. \$582,450 has been paid.

### 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, Corporate Secretary and Presidents.

Key management and Board remuneration consisted of the following:

	Three months ended March 31, 2022	Three months ended March 31, 2021
	\$	\$
Salaries, benefits, management fees and directors' fees	249,769	228,732
Stock based compensation	44,121	33,441
Total	293,890	262,173

Stock based compensation is the amount of expense recognized in the interim consolidated Statements of Comprehensive Loss relating to the identified key management and directors. Included in accounts payable and accrued liabilities is \$64,609 (December 31, 2021 – \$179,179) due to key management personnel.

### SHARE DATA

As at May 17, 2022, the Company had outstanding:

- 118,480,814 common shares,
- 10,791,668 stock options with an average strike price of \$0.53 and an average remaining life of 2.6 years. Of these, 7,858,351 are exercisable at an average strike price of \$0.52. The number of options available under the Stock Option Plan for granting purposes was 1,056,413.

In Fiscal 2022 to date, 16,667 stock options were exercised at a strike price of \$0.23 for an equal number of shares and 633,332 stock options with a weighted average price of \$0.52 were cancelled or forfeited.

On May 3, 2022, 900,000 stock options were granted to nine Directors, Officers, and senior executives of the Company (100,000 to each individual) as part of their compensation plans. All options granted have a strike price of \$0.345, vest 50% on each of the grant and anniversary dates and will expire in five years if not exercised.

### 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; 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. Volatility in energy prices can impact the demand for petroleum products and related transportation services and expose our customers to risk of a decline in transportation revenue. The full extent and impact of the COVID-19 pandemic is unknown at this time and the degree to which it may impact our business operations and financial results will depend on future developments, which are highly uncertain and cannot be predicted with any degree of confidence, including: the duration, severity and geographic spread of the COVID-19 virus; further actions that may be taken by governmental authorities including in respect of travel restrictions and business disruptions; the effectiveness of actions taken to contain 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 has been slowed in signing prospective customers to commercial contracts as marketing and sales efforts have been impacted by the effect of the pandemic. The Company continues to assess the situation for adverse effects on its financial position (including possible impairment of the values ascribed to its intangible assets and goodwill), results of operations and cash flows.

### Other Risks and Uncertainties

OneSoft is subject to business and economic risks. The reader is directed to page 18 of the [Management's Discussion and Analysis for the year ended December 31, 2021](#) for a full description of the risks and uncertainties that may affect the Company.

## FINANCIAL INSTRUMENTS

### Financial instruments

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

	March 31, 2022	December 31, 2021
	\$	\$
<b>Financial assets</b>		
Cash and cash equivalents	4,301,536	5,509,469
Trade and other receivables	3,057,517	215,791
	<u>7,359,053</u>	<u>5,725,260</u>
<b>Financial Liabilities</b>		
Accounts payable and accrued liabilities	<u>810,919</u>	<u>838,420</u>

### Financial instrument risks

The Company is exposed to foreign currency risk, interest rate risk, credit risk and liquidity risk through its use of financial instruments.

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 U.S. 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 U.S. dollars included in its financial statements.

	March 31, 2022	December 31, 2021
	\$ (USD)	\$ (USD)
Cash and cash equivalents	1,129,825	2,326,399
Trade and other receivables	2,413,532	128,750
Accounts payable and accrued liabilities	<u>(325,047)</u>	<u>(337,653)</u>
Total exposure	<u>3,218,310</u>	<u>2,117,496</u>

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 quarter ended March 31, 2022 (year ended December 31, 2021 +/-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.

Strengthening or weakening of the Canadian dollar against the USD by March 31, 2022 - 10% (December 31, 2021 - 10%) would have had the following applicable positive or negative impact on the net loss:

	Profit	Equity
	\$	\$
March 31, 2022	365,161	365,161
December 31, 2021	<u>70,217</u>	<u>70,217</u>

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 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 March 31, 2022 - +/- 1% (December 31, 2021: +/- 1%).

	<b>Profit</b>	<b>Equity</b>
	\$	\$
March 31, 2022	29,569	29,569
December 31, 2021	37,302	37,302

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:

	<b>March 31, 2022</b>	<b>December 31, 2021</b>
	\$	\$
Classes of financial assets - carrying amounts:		
Cash and cash equivalents	4,301,536	5,509,469
Trade and other receivables	3,057,517	215,791
Carrying amount	7,359,053	5,725,260

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. 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.

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 a low risk of not being collected.

The aging of accounts receivable was:

	<b>March 31, 2022</b>		
	Gross trade and other receivables	Allowance for doubtful accounts	Net trade and other receivables
	\$		\$
Current	1,974,970	-	1,974,970
Past due 30 to 60 days	1,093,315	(10,768)	1,082,547
Total	3,068,285	(10,768)	3,057,517
	<b>December 31, 2021</b>		
	Gross trade and other receivables	Allowance for doubtful accounts	Net trade and other receivables
	\$		\$
Current	176,606	-	176,606
Past due 30 to 60 days	39,185	-	39,185
Total	215,791	-	215,791

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

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

The Company's financial liabilities are short-term in nature and payment is due within one year. Financial liabilities outstanding were March 31, 2022 - \$810,919 (December 31, 2021 - \$838,420).

The Company considers cash flows from financial assets of March 31, 2022 - \$7,359,053 (December 31, 2021 - \$5,725,260) 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.

#### 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 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. The table below 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.

	Three months ended March 31,	
	2022	2021
	\$	\$
Net loss	(1,064,201)	(994,425)
Add (subtract):		
Depreciation and amortization	89,418	107,987
Stock based compensation	179,061	131,635
Interest income	(4,961)	(8,356)
Adjusted EBITDA	(800,683)	(763,159)

#### ADVISORY REGARDING FORWARD LOOKING INFORMATION

This MD&A, the unaudited interim consolidated Financial Statements for the three months ended March 31, 2022 and the audited consolidated Financial Statements for the years ended December 31, 2021 and December 31, 2020 (the "2022 Reporting Documents") contain historical information, descriptions of current circumstances and statements about potential future developments, anticipated financial results, and 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 Quarter ended March 31, 2022", "Q1 2022 Financial Metrics", "OneBridge Innovation Lab, Business Development & Technology Roadmap", "Sales & Marketing Activities", "Corporate Activities Update for Q1 2022", "Business Outlook", "Financial Condition & Liquidity", and "Risks and Uncertainties" and in other sections of this MD&A. When used in the MD&A,

such statements may contain such words as “may,” “will,” “intend,” “should,” “expect,” “believe,” “outlook,” “predict,” “remain,” “anticipate,” “estimate,” “potential,” “continue,” “plan,” “could,” “might,” “project,” “targeting” or the negative of these terms or other similar terminology. Forward looking information in the 2022 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 2022 Reporting Documents and are subject to risks described on page 10 of this MD&A and in the Company’s public filings on the Canadian Securities Administrators’ website at [www.sedar.com](http://www.sedar.com) (“**SEDAR**”) and as updated from time to time, and would include, but are not limited to the effects of the Covid-19 world pandemic and related effects on the North American global economy which may transmit 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 2022 Reporting Documents is qualified by these cautionary statements. Although the forward-looking information contained in these 2022 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 2022 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 2022 Reporting Documents.

The forward-looking statements contained in the 2022 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.