



**Consolidated Financial Statements**

**For the years ended December 31, 2022 and 2021**

# Independent auditor's report

To the Shareholders of  
**OneSoft Solutions Inc.**

## Opinion

We have audited the consolidated financial statements of **OneSoft Solutions Inc.** and its subsidiaries [the "Company"], which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statements of loss and comprehensive loss, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ["IFRSs"].

## Basis for opinion

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

## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.



Key audit matter	How our audit addressed the key audit matter
<i>Business combination - Valuation of acquired intangible assets</i>	
<p>On June 30, 2022, the Company acquired the Integrity Management business operations of MESA Products, Inc., a US corporation, as detailed in note 9 of the consolidated financial statements, for an aggregate purchase price of \$908,203. The purchase price allocation includes goodwill of \$321,869 and intangible assets of \$603,064 as at the acquisition date.</p> <p>Auditing the business combination is complex due to the subjective nature of estimating the fair values of identified assets and liabilities as at the date of the acquisition, particularly intangible assets. Management uses significant judgment in evaluating the inputs and assumptions used in their determination of fair values. The fair value of the identifiable assets related to acquired intangible assets is subject to higher estimation uncertainty due to management's judgment in determining key assumptions that include revenue growth, earnings before interest, taxes, depreciation and amortization [EBITDA] growth, customer attrition, and discount rate. Changes to these significant assumptions could have a significant impact on the fair value of acquired intangible assets.</p>	<p>Our approach to addressing the matter included the following procedures, among others:</p> <ul style="list-style-type: none"> <li>• We reviewed the purchase agreement to obtain an understanding of the key terms and conditions to identify the necessary accounting considerations and identification of assets and liabilities acquired.</li> <li>• With the assistance of our valuation specialists, we evaluated the Company's model, valuation methodology and the various inputs utilized, including the discount rate, by referencing current industry and comparable company information as well as cash flow and company-specific risk.</li> <li>• We evaluated the reasonableness of significant assumptions and estimates used by management, including revenue growth, customer attrition and EBITDA growth, by considering the past performance of the acquired business, as well as available third-party published economic and industry data.</li> <li>• We assessed the adequacy of the Company's disclosure included in note 9, Business combinations of the accompanying consolidated financial statements in relation to this matter.</li> </ul>
<i>Revenue recognition - Multiple performance obligations</i>	
<p>The Company enters into bundled arrangements with customers that includes professional services, maintenance services and subscription services as detailed in note 3. Judgment is required by the Company to identify the various distinct performance obligations and whether revenue should be recognized at a point in time or over a period of time.</p> <p>We identified the determination of distinct performance obligations and the allocation of the contractual transaction prices based on the stand-alone selling prices as a key audit matter. Significant auditor judgment was required to evaluate the Company's significant judgments of whether the professional services, maintenance services and subscription services are distinct and whether revenue should be recognized at a point in time or over a point in time. There was significant auditor effort, involving more senior professionals, required to address this matter.</p>	<p>Our approach to addressing the matter included the following procedures, among others:</p> <ul style="list-style-type: none"> <li>• Evaluated the appropriateness of the accounting policies on revenue recognition.</li> <li>• Assessed management's identification of performance obligations by examining customer contracts on a sample basis.</li> <li>• Assessed how management determined the stand-alone selling prices in allocating revenue between the various performance obligations on a sample basis by examining customer contracts, customer orders, invoices, cash receipts and accounting records.</li> </ul>

### **Other matters – Comparative information**

The consolidated financial statements as at and for the year ended December 31, 2021 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on March 29, 2022.

### **Other information**

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

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

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

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. We have nothing to report in this regard.

### **Responsibilities of management and those charged with governance for the consolidated financial statements**

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

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

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

### **Auditor's responsibilities for the audit of the consolidated financial statements**

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Robert Jolley.

Edmonton, Canada  
March 29, 2023

*Ernst & Young LLP*

Chartered Professional Accountants



**OneSoft Solutions Inc.**  
**Consolidated Statements of Financial Position**

	Notes	December 31, 2022 \$	December 31, 2021 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	4,391,942	5,509,469
Trade and other receivables	6	292,548	215,791
Prepaid expenses and deposits		136,539	149,295
<b>Total current assets</b>		<b>4,821,029</b>	<b>5,874,555</b>
<b>Non-current assets</b>			
Property and equipment	7	38,403	23,406
Intangible assets	8,9	1,373,666	847,631
Goodwill	10	477,562	155,693
<b>Total non-current assets</b>		<b>1,889,631</b>	<b>1,026,730</b>
<b>Total assets</b>		<b>6,710,660</b>	<b>6,901,285</b>
<b>Liabilities and equity</b>			
<b>Current liabilities</b>			
Accounts payable and accrued expenses		1,097,964	838,420
Deferred revenue - current	11	2,103,616	882,063
Acquisition price payable - current	9	189,950	-
<b>Total current liabilities</b>		<b>3,391,530</b>	<b>1,720,483</b>
<b>Long-term liabilities</b>			
Deferred revenue - noncurrent	11	-	301,610
Acquisition price payable - noncurrent	9	233,262	-
<b>Total long-term liabilities</b>		<b>233,262</b>	<b>301,610</b>
<b>Total liabilities</b>		<b>3,624,792</b>	<b>2,022,093</b>
<b>Shareholders' equity</b>			
Share capital	9,12	19,984,637	19,305,321
Contributed surplus	12	2,947,161	2,636,562
Deficit		(19,823,489)	(17,088,642)
Accumulated other comprehensive (loss) income		(22,441)	25,951
<b>Total equity</b>		<b>3,085,868</b>	<b>4,879,192</b>
<b>Total liabilities and equity</b>		<b>6,710,660</b>	<b>6,901,285</b>

Approved on behalf of the Board of Directors

Signed "Dwayne Kushniruk", Director

Signed "Doug Thomson", Chair

*Please see the accompanying notes to the consolidated financial statements.*

**OneSoft Solutions Inc.**  
**Consolidated Statements of Loss and Comprehensive Loss**

		Year Ended December 31, 2022	Year Ended December 31, 2021
	Notes	\$	\$
<b>Revenue</b>	13	6,888,572	4,441,952
<b>Direct costs</b>	14	1,978,129	1,124,797
<b>Gross profit</b>		4,910,443	3,317,155
<b>Operating expenses</b>			
Salaries and employee benefits		5,397,676	4,550,205
Sales and marketing		1,007,731	734,670
General and administrative		1,046,482	796,539
<b>Operating expenses</b>		7,451,889	6,081,414
Software development costs capitalized	8	(390,602)	(289,318)
Operating expenses, net of costs capitalized		7,061,287	5,792,096
<b>Loss before the following</b>		(2,150,844)	(2,474,941)
<b>Other expense (income)</b>			
Stock-based compensation	12	618,952	959,792
Amortization of intangible assets	8	437,631	443,929
Depreciation of property and equipment	7	23,829	12,207
Interest income		(67,026)	(23,852)
Foreign exchange (gain) loss		(53,882)	21,902
Provincial innovation employment grant	4	(107,649)	-
Other income		(30,545)	-
		821,310	1,413,978
<b>Loss before income taxes</b>		(2,972,154)	(3,888,919)
<b>Income tax expense (recovery)</b>			
Current		-	-
Deferred		-	-
<b>Income tax expense (recovery)</b>		-	-
<b>Net loss</b>		(2,972,154)	(3,888,919)
<b>Other comprehensive (loss) income</b>			
Foreign exchange (loss) gain on translation of foreign operations, net of income tax		(48,392)	27,802
<b>Comprehensive loss</b>		(3,020,546)	(3,861,117)
<b>Net loss per share</b>			
Basic	16	(0.02)	(0.03)
Diluted	16	(0.02)	(0.03)
<b>Weighted average number of shares:</b>			
Basic	16	119,597,891	116,930,353
Diluted	16	119,597,891	116,930,353

*Please see the accompanying notes to the consolidated financial statements.*

**OneSoft Solutions Inc.**  
**Consolidated Statements of Changes in Equity**

		Common	Share	Contributed		Accumulated Other Comprehensive	
	Notes	Shares #	Capital \$	Surplus \$	Deficit \$	Income (Loss) \$	Total \$
<b>Balance, December 31, 2020</b>		<b>115,600,813</b>	<b>18,212,350</b>	<b>2,285,460</b>	<b>(13,302,075)</b>	<b>(1,851)</b>	<b>7,193,884</b>
Share issuance for IP acquisition		120,000	79,200	-	-	-	79,200
Exercise of stock options		2,743,334	1,013,771	(506,338)	-	-	507,433
Expiry of stock options				(102,352)	102,352	-	-
Stock-based compensation		-	-	959,792	-	-	959,792
Net loss		-	-	-	(3,888,919)	-	(3,888,919)
Foreign exchange gain on translation of foreign operations		-	-	-	-	27,802	27,802
<b>Balance, December 31, 2021</b>		<b>118,464,147</b>	<b>19,305,321</b>	<b>2,636,562</b>	<b>(17,088,642)</b>	<b>25,951</b>	<b>4,879,192</b>
Share issuance for business acquisition	9,12	1,828,125	511,875	-	-	-	511,875
Share issuance cost	9	-	(3,098)	-	-	-	(3,098)
Exercise of stock options	12	374,667	170,539	(71,046)	-	-	99,493
Expiry of stock options	12	-	-	(237,307)	237,307	-	-
Stock-based compensation	12	-	-	618,952	-	-	618,952
Net loss		-	-	-	(2,972,154)	-	(2,972,154)
Foreign exchange loss on translation of foreign operations		-	-	-	-	(48,392)	(48,392)
<b>Balance, December 31, 2022</b>		<b>120,666,939</b>	<b>19,984,637</b>	<b>2,947,161</b>	<b>(19,823,489)</b>	<b>(22,441)</b>	<b>3,085,868</b>

*Please see the accompanying notes to the consolidated financial statements.*



**OneSoft Solutions Inc.**  
**Consolidated Statements of Cash Flows**

	Year ended December 31, 2022 \$	Year ended December 31, 2021 \$
<b>Operating activities</b>		
Net loss	(2,972,154)	(3,888,919)
Items not involving cash:		
Stock-based compensation	618,952	959,792
Amortization of intangible assets	437,631	443,929
Depreciation of property and equipment	23,829	12,207
Amortization of acquired deferred revenue	(20,804)	-
Interest expense	6,644	-
Unrealized foreign exchange loss	20,238	-
Changes in operating assets and liabilities:		
Trade and other receivables	(61,943)	(19,093)
Prepaid expenses and deposits	19,553	(88,402)
Accounts payable and accrued expenses	225,564	(364)
Deferred revenue-current	1,101,825	461,869
Deferred revenue-noncurrent	(301,610)	301,610
Cash flow used in operating activities	(902,275)	(1,817,371)
<b>Investing activities</b>		
Purchase of equipment	(25,111)	(13,406)
Software development costs capitalized	(390,602)	(251,868)
Provincial innovation employment grant received	30,000	-
Acquisition of software	-	(170,421)
Cash flow used in investing activities	(385,713)	(435,695)
<b>Financing activities</b>		
Exercise of stock options	99,493	507,433
Share issuance costs	(3,098)	-
Cash flow provided by financing activities	96,395	507,433
<b>Net change in cash and cash equivalents</b>	(1,191,593)	(1,745,633)
Effect of foreign exchange fluctuation on cash and cash equivalents in foreign operations	74,066	31,861
<b>Cash and cash equivalents, beginning of year</b>	5,509,469	7,223,241
<b>Cash and cash equivalents, end of year</b>	4,391,942	5,509,469
<b>Supplementary cash flow information</b>		
Interest received	\$67,511	\$21,970

*Please see the accompanying notes to the consolidated financial statements.*

# OneSoft Solutions Inc.

## Notes to the Consolidated Financial Statements

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### 1.0 Corporate information

OneSoft Solutions Inc. (the “Company” or “OSS”) is a public company incorporated in Alberta whose common shares trade on the TSX Venture Exchange under the symbol “OSS” and on the OTCQB market in the USA under “OSSIF”. It has its corporate office at Suite 4217, 10230 Jasper Avenue, Edmonton, Alberta, Canada T5J 4P6. The Company conducts its operations through its wholly owned and controlled subsidiaries: OneBridge Solutions Canada Inc. (“OBS CA”), OneBridge Solutions, Inc. (“OBS USA”) and OneCloudCo Limited (“OCC”).

On January 1, 2020, OneBridge Solutions Inc. (“OBS”) and CloudCo Solutions Inc. (“CCS”), both wholly owned by OSS, were combined through statutory amalgamation to create a new company, OneBridge Solutions Canada Inc. (“OBS CA”). OBS was incorporated in Alberta on June 16, 2015 and provides software services to the oil and gas pipeline industry consisting of cognitive software solutions incorporating machine learning, predictive analytics and other data science techniques. CCS was incorporated in Alberta, Canada on July 15, 2014, and provided software development services to OCC. It was inactive on the amalgamation date.

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

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

### 2.0 Basis of presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). These consolidated financial statements present the Company’s financial position and financial results of operations as at and for the years ended December 31, 2022 and 2021. They have been prepared and presented in accordance with IAS 1 *Presentation of Financial Statements*.

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

The Board of Directors on March 29, 2023, authorized for issuance these consolidated financial statements for the years ended December 31, 2022 and 2021.

### 3.0 Significant accounting policies

#### Basis of consolidation

These consolidated financial statements include the financial statements of the Company and its wholly owned subsidiaries: OBS CA, OBS USA, and OCC. Subsidiaries are entities over which the Company has control. The Company controls the entity when the Company is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns. All subsidiaries have the same reporting date. All intercompany transactions between the companies are eliminated upon consolidation.

#### Revenue recognition

The Company’s revenues are generated from monthly subscriptions to use the Company’s software, software related consulting services, and licensing of the Company’s intellectual properties to third parties. Revenue comprises the fair value of the consideration received or receivable and is shown net of tax and discounts and after eliminating sales within the group. Contracts with customers do not provide for refunds or any other rights of return of fees paid for services consumed in the event of cancellation of a contract. Payments made in advance of the consumption of subscriptions to use the Company’s software or for the provision of related services in future periods may be returned if the related contract is cancelled subject to certain conditions.

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

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

Revenue may be earned over time from implementation services, SaaS software subscriptions and software maintenance services as the performance obligations are satisfied or at a point in time which is when the entity has earned a right to payment, the customer has been licensed to use on-premise RIPL software or has ingested data into the SaaS software or contracted risk analyses have been completed and accepted by the customer.

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

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

The Company pays incentives to employees to obtain certain contracts with customers. Some of these incentives qualify as incremental contract acquisition costs. In compliance with IFRS 15, such costs are capitalized and amortized over the initial contract term.

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

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

i. Software as a Service (SaaS)

Software is provided to customers via a Software as a Service or "SaaS" subscription model which provides customers the right to access and use hosted software over a term without taking possession of the software. The parties in the contract are identified in a signed agreement which states each party's rights, performance obligations and payment terms. Revenue is recognized monthly over the life of the contract as the performance obligations are satisfied through the provision of access to the software and from the software functionality being applied to pipeline inspection assessments which the customer has uploaded into the software. For an additional fee,

customers may purchase optional software functionality to apply to their pipeline assessment data. The services are invoiced at the end of each month on normal commercial terms. Certain customers may choose to prepay the services for a stated period which the Company records as deferred revenue.

ii. Production trials

The Company may earn revenue from the conduct of production trials with customers. Production trials consist of uploading a sample set of the customer's pipeline assessments into the solution and providing reports on current or future corrosion threats to it. A fee may be charged on normal commercial terms. The intent of the production trials is to familiarize the customer with the features of the solution to induce them to adopt the solution for long term use.

iii. Consulting services

Consulting services revenue arises from the provision of initial software implementation, product support, and training services related to the customer's use of the Company's software. Since the acquisition of the IM Operations on June 30, 2022 (Note 9), the Company now provides professional services related to pipeline risk management which may include studies on the effect of a pipeline release in High Consequence Areas, pipeline valve placements, cathodic protection (AC and DC interference) and regulatory compliance.

A contract states each party's rights, terms of payment and each party's distinct performance obligations. Revenue is recognized as software related services are provided or when reports are completed and have been accepted by customers.

iv. Software licencing and technical support and software maintenance contracts.

The Company through its IM Operations sells licenses to customers allowing the customer to install the IM software on computers located on the customer's premises for an unlimited period of time. The Company also sells technical support and software maintenance contracts under which, for a stated period of time, software technical support is provided and the customer is provided new versions of the software free of charge, should such software be developed by the Company, which the Company is under no obligation to do so.

Revenue from software licenses is recognized when the customer has the ability to install the software on its computers. Revenue from technical support and software maintenance contracts is recognized rateably over the life of the contract.

**Direct costs**

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

**Stock-based compensation**

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

The costs of the stock options granted to employees and non-employees are measured at their fair value on the date of option grant using the Black-Scholes Option Pricing Model and in consideration of market conditions relating to the Company's shares at the date of the grant. The cost of options is based on the best available estimate of the number of share options expected to vest and is recognized over the related vesting period in profit or loss with a corresponding credit to contributed surplus. Estimates of forfeitures are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period and no adjustment is made to prior periods if share

options ultimately exercised are different to those estimated on vesting. Compensation costs related to forfeited options are reversed on the forfeiture date provided the underlying options have not vested. Contributed surplus related to stock options that expire unexercised is reclassified to deficit and remains within the equity section of the consolidated statements of financial position.

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

**Interest income**

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

**Investment tax credits**

The Company is entitled to certain Canadian investment tax credits and a provincial incentive grant for qualifying research and experimental development activities performed in Canada. Federal tax credits can be applied against future income taxes payable and are subject to a 20 year carry forward period.

**Provincial Innovation Employment Grant**

The Province of Alberta provides a grant up to 20% of the qualified research and development (R&D) spending in the province by businesses. Such grant is recognized proportionately as other income and a credit to capitalized development costs in the year in which management is able to estimate the amount expected to be recovered or the payment is received.

**Income taxes**

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

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

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

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

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

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

**OneSoft Solutions Inc.**  
**Notes to the Consolidated Financial Statements**

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**Net income (loss) per share**

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

**Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand and balances with banks and short-term investments with original maturities of six months or less or when early redemption is possible.

**Property and equipment**

Property and equipment consist of computer equipment and office furniture and equipment recorded at cost less accumulated depreciation.

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

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

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

**Intangible assets**

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

- Completion of the intangible asset is technically feasible so that it can be made available for sale;
- The Company has the intent and ability to complete the intangible asset and use or sell it;
- The intangible asset will generate probable future economic benefits which requires that there be a market for the sale of the right to use the intangible asset;
- There are adequate technical, financial and other resources to complete the development of the intangible asset; and
- The expenditure attributable to the development of the intangible asset can be measured reliably.

Development costs capitalized are those associated with the Company's Software-as-a-Service ("SaaS") based technology software. Costs associated with major enhancements providing new capability to the product are also capitalized provided they can be reliably measured. Development costs incurred during the research phase of an internal project are expensed in the period in which they are incurred. Costs associated with maintaining these intangible assets such as minor updates and repairs are expensed as incurred.

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

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

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

**Business combinations and goodwill**

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

Goodwill is initially measured at the excess of the fair value of consideration transferred less the fair value of the net identifiable assets acquired and liabilities assumed. If this amount is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized immediately in the consolidated statement of loss and comprehensive 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.

**Provisions**

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

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

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

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

**Financial instruments**

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

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

**i. Financial assets**

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

## OneSoft Solutions Inc.

### Notes to the Consolidated Financial Statements

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#### *Financial assets at amortized cost*

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

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

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

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

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

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

#### *Financial asset at FVPL*

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

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

#### *Derecognition of financial assets*

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

#### *Impairment of financial assets*

The Company's accounts and other receivables are subject to the expected credit loss ("ECL") model under IFRS 9 *Financial Instruments*. The Company applies the simplified approach to providing for ECL for its trade receivables.

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

## **ii. Financial liabilities**

#### *Loans and borrowings*

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

#### **Impairment testing of long-lived assets**

For the purposes of testing for impairment, where the recoverable amount of an asset cannot be determined, the asset is grouped into a cash generating unit ("CGU") which is the lowest level for which there is independent cash



inflows. This results in certain assets being tested for impairment individually and others being tested at the CGU level. The Company has determined that it has one CGU. An impairment loss is recognized when the carrying value of the individual asset or CGU exceeds its recoverable amount, which is fair value less costs of disposal or value-in-use. Value in use is determined by discounting the estimated future cash flows of each asset or CGU by an appropriate interest rate to yield the present value. Future cash flows are derived from the Company's latest approved budget, adjusted as necessary to exclude non-repetitive and one-time expenses. Discount factors are determined individually for each CGU reflecting their respective risk profiles.

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

**Foreign currency translation**

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

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

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

OBS USA is a foreign subsidiary that has the US dollar as its functional currency. Under IFRS, all assets and liabilities of the foreign operations are translated into Canadian dollars at the period-end exchange rate, and revenues and expenses are translated using the average rate for the year as a method of approximation. The resulting unrealized gains or losses are included in other comprehensive income (loss) until the entity is realized through disposition or sale.

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

**Leases**

Leases maintained by the Company are short term and cancellable upon 30-day notice. In accordance with IFRS 16 Leases, payments are expensed as incurred.

**Standards Issued but not yet effective and not early adopted by the Company****i. Amendments to IAS 1: Classification of Liabilities as Current or Non-current**

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1, Presentation of Financial Statements to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right;
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

**ii. Definition of Accounting Estimates - Amendments to IAS 8**

In February 2021, the IASB issued amendments to IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, in which it introduces a definition of accounting estimates. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period.

The amendments are not expected to have a material impact on the Company's consolidated financial statements.

**iii. Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2**

In February 2021, the IASB issued amendments to IAS 1, Presentation of Financial Statements, and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after January 1, 2023. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Company is currently revisiting their accounting policy information disclosures to ensure consistency with the amended requirements.

**iv. Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12**

In May 2021, the Board issued amendments to IAS 12, Income taxes, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments are effective for annual periods beginning on or after January 1, 2023 and should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

The Company is currently assessing the impact of the amendments.

**4.0 Significant management judgment and estimates in applying accounting policies**

**i. Judgments**

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

**Revenue and deferred revenue**

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

**Software development costs**

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

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

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

**Determination of functional currency**

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

**Deferred tax assets**

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

## **OneSoft Solutions Inc.**

### **Notes to the Consolidated Financial Statements**

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#### **ii. Estimates**

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

#### **Impairment**

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

#### **Useful lives of depreciable assets**

Management reviews the useful lives of depreciable assets at each reporting date and estimates the expected future utility of the assets to the Company. The carrying amounts are reported in notes 7 and 8. Actual results may vary due to technical obsolescence, particularly for computer equipment and internally generated software.

#### **Stock-based compensation**

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

#### **Measurement of ECL allowance for financial assets**

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

#### **Scientific research and experimental development claims**

Assumptions are made in respect of the eligibility of certain software development projects in the calculation of scientific research and experimental development ("SR&ED") investment tax credits and provincial innovation employment grant which are presented in other expense (income) in the consolidated statement of loss and comprehensive loss. SR&ED claims are subject to audits by relevant taxation authorities and the actual amount may change depending on the outcome of such audits.

**OneSoft Solutions Inc.**  
**Notes to the Consolidated Financial Statements**

**5.0 Cash and cash equivalents**

	December 31, 2022 \$	December 31, 2021 \$
Short-term deposits (USD)	932,187	218,397
Short-term deposits (CDN)	112,022	185,041
Interest-bearing deposits	3,079	74,749
Interest bearing investments (CDN)	1,931,772	2,333,608
Interest bearing investments (USD)	1,412,882	2,685,055
Restricted cash (USD)	-	12,619
Cash and cash equivalents	4,391,942	5,509,469

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

**6.0 Trade and other receivables**

	December 31, 2022 \$	December 31, 2021 \$
Trade receivables	281,810	164,369
Sales tax and other receivables	10,738	51,422
Trade and other receivables	292,548	215,791

**7.0 Property and equipment**

	Computer equipment \$	Office furniture and equipment \$	Total \$
<b>Cost</b>			
Balance at December 31, 2020	74,072	6,947	81,019
Additions	13,406	-	13,406
Effect of foreign exchange	(366)	-	(366)
Balance at December 31, 2021	87,112	6,947	94,059
Additions	38,387	-	38,387
Writeoffs	(6,806)	-	(6,806)
Effect of foreign exchange	1,280	-	1,280
Balance at December 31, 2022	119,973	6,947	126,920
<b>Depreciation and impairment</b>			
Balance at December 31, 2020	(51,887)	(6,947)	(58,834)
Depreciation	(12,207)	-	(12,207)
Effect of foreign exchange	388	-	388
Balance at December 31, 2021	(63,706)	(6,947)	(70,653)
Depreciation	(23,829)	-	(23,829)
Writeoffs	6,806	-	6,806
Effect of foreign exchange	(841)	-	(841)
Balance at December 31, 2022	(81,570)	(6,947)	(88,517)
<b>Carrying amount</b>			
As at December 31, 2021	23,406	-	23,406
As at December 31, 2022	38,403	-	38,403

**OneSoft Solutions Inc.**  
**Notes to the Consolidated Financial Statements**

**8.0 Intangible assets**

	Internally generated software	Acquired software	Trademark	License agreement and customer list	Total
	\$	\$	\$	\$	\$
<b>Cost</b>					
Balance at December 31, 2020	2,112,195	616,022	19,898	174,672	2,922,787
Addition, separately acquired	-	249,621	-	-	249,621
Software development costs capitalized	251,868	-	-	-	251,868
Balance at December 31, 2021	2,364,063	865,643	19,898	174,672	3,424,276
Addition, separately acquired	-	237,102	-	365,962	603,064
Software development costs capitalized					
In use	208,161	-	-	-	208,161
Not yet in use	182,441	-	-	-	182,441
Provincial innovation employment grant received	(30,000)	-	-	-	(30,000)
Effect of foreign exchange	-	(27)	211	-	184
Balance at December 31, 2022	2,724,665	1,102,718	20,109	540,634	4,388,126
<b>Amortization and impairment</b>					
Balance at December 31, 2020	(1,331,738)	(614,655)	(11,635)	(174,672)	(2,132,700)
Amortization	(403,208)	(36,135)	(4,586)	-	(443,929)
Effect of foreign exchange	-	(16)	-	-	(16)
Balance at December 31, 2021	(1,734,946)	(650,806)	(16,221)	(174,672)	(2,576,645)
Amortization	(281,992)	(90,757)	(3,888)	(60,994)	(437,631)
Effect of foreign exchange	-	-	-	(184)	(184)
Balance at December 31, 2022	(2,016,938)	(741,563)	(20,109)	(235,850)	(3,014,460)
<b>Carrying amount</b>					
As at December 31, 2021	629,117	214,837	3,677	-	847,631
As at December 31, 2022	707,727	361,155	-	304,784	1,373,666

On March 8, 2021, OBS CA acquired pipeline risk evaluation software from an individual in the USA. The total cost of the acquired software was \$249,621, comprised of a cash payment of \$126,600, the issuance of 120,000 common shares at \$0.66 per share for a total value of \$79,200 (Note 12), legal fees of \$6,370, and capitalized employees' salaries and benefits of \$37,451 for its integration into the Company's software solutions. The software is being amortized over five years.

The Company also capitalized software development costs of \$390,602 for the year ended December 31, 2022 (December 31, 2021- \$251,868) developing other software functionality.

As a result of the business acquisition on June 30, 2022, the Company acquired RIPL software valued at \$237,102 and a customer list valued at \$365,962 (Note 9).

During the year ended December 31, 2022, the Company expensed research and development costs of \$1,638,120 (December 31, 2021 - \$1,671,297). These costs were included in salaries and employee benefits in operating expenses.

At December 31, 2022, the Company, in accordance with its policy, made the assessment that there were no indicators of impairment of its intangible assets.

**OneSoft Solutions Inc.**  
**Notes to the Consolidated Financial Statements**

**9.0 Business acquisition**

On June 30, 2022, OBS CA acquired the Integrity Management business operations ("IM Operations") of MESA Products, Inc., a US corporation. The acquisition provided a highly experienced team of seven employees and customer-proven risk software which will assist the Company to accelerate its plans in bringing a suite of OneBridge risk solutions to market.

The fair value of the purchase consideration was measured at \$908,203 calculated as follows:

- the issuance of 1,828,125 common shares with a fair value of C\$511,875 (\$0.28 per share based on the closing price of the Company's shares on the TSX Venture Exchange on the acquisition date) of which 609,375 shares will become free trading on each of the first-, second- and third-year anniversary of the transaction closing date, and
- four scheduled cash payments (US\$50,000 on January 1, 2023, US\$91,666 on June 30, 2023, 2024, and 2025) with a fair value of \$396,329 on the acquisition date of June 30, 2022. On December 31, 2022, the fair value was \$423,212 due to appreciation in the US dollar to Canadian dollar exchange rate and interest expense.

This acquisition met the definition of a business combination under IFRS 3 and is accounted for using the acquisition method, whereby purchased assets and assumed liabilities are recognized at their acquisition-date fair value. Any difference between the purchase consideration and the net fair value of purchased assets and assumed liabilities was recognized as goodwill. Legal fees of \$66,341 related to the acquisition were expensed when incurred. Share issuance costs were applied against the fair value of the shares issued.

The fair values of the identifiable assets and liabilities were as follows:

**Assets:**

Property and equipment	\$ 12,886
IM customer list	365,962
RIPL Software	237,102
	<u>615,950</u>

**Liabilities:**

Deferred revenue	<u>(29,616)</u>
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Fair value of identifiable net assets	586,334
Goodwill arising from the acquisition	321,869
Purchase consideration at fair value	<u>\$ 908,203</u>

For the period from the acquisition date of June 30, 2022 to December 31, 2022, revenue generated by IM Operations was \$836,633 and direct costs were \$290,300. IM Operations have been integrated into the Company's core business. Its operating expenses are not accounted for separately.

**10.0 Goodwill**

The carrying amount of goodwill is as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
	<b>\$</b>	<b>\$</b>
Balance, beginning of year	155,693	155,693
Addition from acquisition	321,869	-
Balance, end of year	<u>477,562</u>	<u>155,693</u>

## OneSoft Solutions Inc.

### Notes to the Consolidated Financial Statements

Goodwill of \$155,693 arising from the acquisition of the assets and liabilities of Bridge Solutions Inc. on July 17, 2015 is allocated to Cognitive Integrity Management pipeline software CGU ("CIM"). Goodwill of \$321,869 was from the acquisition of IM operations on June 30, 2022, which is also allocated to the CIM CGU (Note 9).

The Company performed its annual impairment test as at December 31, 2022 (prior year – December 31, 2021). The recoverable amount of the CIM CGU was determined based on value in use using level 3 discounted future cash flow estimates. These calculations used pre-tax cash flows covering a five-year period based on financial budgets and forecasts approved by management using expected average annual revenue growth of the CIM product in its intended market of 33.5% (2021 – 22.0%), working capital adjustments based on ratios reported by publicly traded software companies and a risk adjusted discount rate of 29.4% (2021 - 29.4%). The growth rates, working capital ratios, and the discount rate are the key assumptions in the calculation of the value in use. Key assumptions also include budgeted profit margins. No expected efficiency improvements have been considered and changes to prices and wages reflect forecasts of inflation for the Company.

The recoverable amount of the CIM CGU exceeded its carrying amount. The Company believes the recoverable amount is most sensitive to the risk-adjusted discount rate and the planned growth in revenue. If the risk adjusted discount rate were to exceed 107.7% (2021 – 53.1%) for the CIM CGU, or if the planned revenue growth were to decrease by 15.2% (2021 – 9.7%) for the CIM CGU, the CGU's carrying amount would exceed its recoverable amount and the Company would record an impairment charge.

#### 11.0 Deferred revenue

	December 31, 2022 \$	December 31, 2021 \$
Balance, beginning of year	1,183,673	413,546
New prepayments from customers	5,030,048	4,037,725
Applied or consumed	(4,279,388)	(3,283,603)
Effect of foreign exchange	169,283	16,005
Balance, end of year	2,103,616	1,183,673
Deferred revenue - current	2,103,616	882,063
Deferred revenue - noncurrent	-	301,610
Total deferred revenue	2,103,616	1,183,673

Deferred revenue represents prepayments from customers for the right to access and use the Company's software in future periods. The current portion of the deferred revenue is the amount expected to be earned within the next twelve months.

#### 12.0 Share capital

Share capital represents the nominal value of common shares that have been issued. Cumulative transaction costs of \$1,296,463 incurred as of December 31, 2022 (December 31, 2021 - \$1,293,365) associated with the issuing of shares are deducted from share capital, net of any related income tax benefits.

##### Authorized

Unlimited number of common shares with no par value

Unlimited number of preferred shares with no par value

##### Common shares

On March 8, 2021, the Company issued 120,000 common shares at a market price of \$0.66 per share to an individual in the USA for the acquisition of an intellectual property (Note 8). As required by TSX Venture Exchange, these shares were subject to a four month plus one day hold from the date of issuance.

On June 30, 2022, the Company issued 1,828,125 common shares at a market price of \$0.28 per share with a total fair market value of \$511,875 to acquire IM Operations from MESA Products, Inc. One third of these shares (609,375)



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will become free trading on each of the first-, second- and third-year anniversary of the transaction closing date (Note 9).

**Preferred shares**

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

There are no preferred shares outstanding.

**Stock option plan, stock options outstanding and stock-based compensation**

On May 3, 2022, the Company approved a stock option plan ("the Plan") which allows the grant of stock options equal to 10% of the issued and outstanding common shares of the Company provided the Plan is approved annually at the general meeting of the shareholders. Stock options have been issued to directors, employees and consultants with vesting periods of immediate to three years and terms of five years at prices reflective of the trading price of the Company shares on the TSX Venture Exchange at time of grant. On December 31, 2022, the maximum number of stock options that may be granted was 12,066,694 (December 31, 2021 – 11,846,415). The number of options available under the Plan for granting purposes as at December 31, 2022 was 960,359 (December 31, 2021 – 1,404,748).

	<b>December 31, 2022</b>		<b>December 31, 2021</b>	
	<b>Number of stock options #</b>	<b>Weighted average exercise price \$</b>	<b>Number of stock options #</b>	<b>Weighted average exercise price \$</b>
Outstanding, beginning of year	10,441,667	0.55	9,535,001	0.41
Granted	3,252,000	0.36	4,150,000	0.61
Exercised	(374,667)	0.27	(2,743,334)	0.18
Forfeited/Cancelled	(1,320,665)	0.48	(100,000)	0.67
Expired	(892,000)	0.43	(400,000)	0.47
Outstanding, end of year	11,106,335	0.52	10,441,667	0.55
Exercisable, end of year	7,150,014	0.55	6,175,007	0.52

# OneSoft Solutions Inc.

## Notes to the Consolidated Financial Statements

As at	Options Outstanding				Options Exercisable	
	Exercise price \$	Outstanding number of stock options #	Weighted average exercise price \$	Weighted average remaining contractual life in years #	Exercisable number of stock options #	Weighted average exercise price \$
December 31, 2022	0.21 – 0.48	4,489,667	0.38	3.00	1,950,002	0.41
	0.49 – 0.55	2,100,000	0.50	1.69	2,100,000	0.50
	0.56 – 0.65	3,816,668	0.62	2.98	2,400,012	0.61
	0.66 – 0.92	700,000	0.90	1.43	700,000	0.90
<b>December 31, 2022</b>		<b>11,106,335</b>	<b>0.52</b>	<b>2.65</b>	<b>7,150,014</b>	<b>0.55</b>
December 31, 2021	0.21 – 0.48	2,791,667	0.38	1.61	2,358,337	0.37
	0.49 – 0.55	2,300,000	0.50	2.75	1,666,668	0.50
	0.56 – 0.65	4,650,000	0.62	3.76	1,483,335	0.60
	0.66 – 0.92	700,000	0.90	2.43	666,667	0.91
<b>December 31, 2021</b>		<b>10,441,667</b>	<b>0.55</b>	<b>2.88</b>	<b>6,175,007</b>	<b>0.52</b>

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

	December 31, 2022	December 31, 2021
Weighted average grant price	\$0.36	\$0.61
Risk-free interest rate	3.13%	0.73%
Expected volatility	69.13%	80.43%
Expected dividend yield	Nil%	Nil%
Expected life (years)	3.73	3.75
Expected forfeiture rate	9.82%	6.48%
Weighted average fair value	\$0.19	\$0.35

Compensation expense in respect of stock options for the year ended December 31, 2022 was \$618,952 (December 31, 2021 - \$959,792).

### 13.0 Segmented reporting

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

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

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<b>Segments</b>	<b>Year ended December 31, 2022 \$</b>	<b>Year ended December 31, 2021 \$</b>
Primary geographical markets		
U.S.A.	6,603,492	4,192,408
Australia	41,833	130,562
Canada	243,247	118,982
	<u>6,888,572</u>	<u>4,441,952</u>
Major services:		
Subscriptions to use software	5,739,727	4,072,522
Software related services	1,136,077	306,002
Licensing, production trials and commission	12,768	63,428
	<u>6,888,572</u>	<u>4,441,952</u>
Timing of revenue recognition		
Services transferred over contract term	4,612,073	3,145,752
Services transferred at a point in time	2,276,499	1,296,200
	<u>6,888,572</u>	<u>4,441,952</u>

The Company earned revenue from three customers, each of whom comprised greater than 10% of its revenue. During the years ended December 31, 2022 and 2021, revenue from these customers was as follows: customer A \$1,237,720 (December 31, 2021 - \$1,061,041); customer B \$1,119,078 (December 31, 2021 - \$968,049) and Customer C \$958,673 (December 31, 2021 - \$290,109). The amount receivable from these customers on December 31, 2022 was \$112,267 (December 31, 2021 - \$102,640).

The Company's non-current assets (other than financial instruments) are divided into the following geographical areas:

	<b>December 31, 2022 \$</b>	<b>December 31, 2021 \$</b>
<b>Canada</b>		
Property and equipment	23,062	13,069
Intangible assets	1,373,666	847,631
Goodwill	477,562	155,693
Total Canada	<u>1,874,290</u>	<u>1,016,393</u>
<b>United States</b>		
Property and equipment	15,341	10,337
Total United States	<u>15,341</u>	<u>10,337</u>
Consolidated total	<u>1,889,631</u>	<u>1,026,730</u>

**OneSoft Solutions Inc.**  
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**14.0 Direct costs**

For the years ended December 31, 2022 and 2021, direct costs consisted of the following:

	Year ended December 31, 2022	Year ended December 31, 2021
	\$	\$
Cloud platform hosting fee	506,287	353,592
Royalty expenses	648,827	373,901
Salaries and employee benefits	798,675	397,304
Other	24,340	-
Total direct costs	1,978,129	1,124,797

Cloud platform hosting fee is the cost of providing Microsoft Azure to customers with signed SaaS contracts. Royalty expenses are fees paid to a major customer for the use of their software based on the terms of an agreement for the provisional ownership of the software at the end of a 10-year period (Note 20). Salaries and employee benefits is the compensation to the personnel who provided direct technical support to customers in the process of revenue generation.

**15.0 Income tax expense**

**(a) Income tax expense**

	Year ended December 31, 2022	Year ended December 31, 2021
	\$	\$
<b>Current tax expense (recovery)</b>		
Current year	-	-
<b>Deferred tax expense (recovery )</b>		
Origination and reversal of temporary differences	(521,853)	(666,900)
Change in tax rates and rate differences	-	-
Change in unrecognized deductible temporary differences	521,853	666,900
Income tax expense (recovery) reported in the consolidated statements of loss and comprehensive loss	-	-

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

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**Notes to the Consolidated Financial Statements**
**(b) Recognized deferred tax assets and liabilities**

	Year ended December 31, 2022 \$	Year ended December 31, 2021 \$
Income tax recovery at statutory rate of 23.0% (2021 - 23.0%)	(683,595)	(894,451)
Increase resulting from:		
Non-taxable items	118,076	188,350
Change in unrecognized deferred tax assets	521,853	666,900
Change in tax rates and rate differences	-	-
Effect of tax rate in foreign jurisdictions	43,666	39,201
Income tax recovery	-	-

Deferred tax assets are attributable to the following:

	December 31, 2022 \$	December 31, 2021 \$
Tax loss carryforwards	202,257	186,420
Deferred tax assets	202,257	186,420
Set off of tax	(202,257)	(186,420)
Net deferred tax asset	-	-

Deferred tax liabilities are attributable to the following:

	December 31, 2022 \$	December 31, 2021 \$
Intangible assets	(195,545)	(183,232)
Property and equipment	(6,712)	(3,188)
Deferred tax liabilities	(202,257)	(186,420)
Set off of tax	202,257	186,420
Net deferred tax liability	-	-

**(c) Unrecognized deferred tax assets**

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

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

	December 31, 2022 \$	December 31, 2021 \$
Deductible temporary differences	2,841,831	3,103,483
Non-capital loss carryforwards	14,798,715	12,797,057
	17,640,546	15,900,540

**(d) Scientific research and experimental development investment tax credits ("ITCs")**

The Company has available to it \$1,085,730 (2021 - \$775,473) ITCs to offset future federal income taxes payable. The ITCs will begin to expire in 2038. The deferred tax benefit associated with the ITCs have not been recognized in the consolidated financial statements.

**OneSoft Solutions Inc.**  
**Notes to the Consolidated Financial Statements**

**16.0 Loss per share**

The basic loss per share has been calculated by dividing the loss attributable to equity holders of the parent company by the weighted average number of ordinary shares issued and outstanding during the year.

	<b>December 31, 2022 #</b>	<b>December 31, 2021 #</b>
Weighted average shares outstanding-basic	119,597,891	116,930,353
Weighted average shares outstanding-diluted	119,597,891	116,930,353
	<b>December 31, 2022 \$</b>	<b>December 31, 2021 \$</b>
Net loss	(2,972,154)	(3,888,919)
Net loss per share:		
Basic	(0.02)	(0.03)
Diluted	(0.02)	(0.03)

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

	<b>December 31, 2022 #</b>	<b>December 31, 2021 #</b>
Issued:		
Stock options	11,106,335	10,441,667

**17.0 Financial instruments**

**17.1. Categories of financial instruments**

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

	<b>December 31, 2022 \$</b>	<b>December 31, 2021 \$</b>
<b>Financial assets</b>		
Cash and cash equivalents	4,391,942	5,509,469
Trade and other receivables	292,548	215,791
	4,684,490	5,725,260
	<b>December 31, 2022 \$</b>	<b>December 31, 2021 \$</b>
<b>Financial liabilities</b>		
Accounts payable and accrued expenses	1,097,964	838,420
Acquisition price payable - current	189,950	-
Acquisition price payable - noncurrent	233,262	-
	1,521,176	838,420

**Measurement of fair value**

Accounts payable and accrued expenses are short-term in nature, and their fair value approximates their carrying value. Acquisition price payable is initially measured at fair value and subsequently measured at amortized cost and adjusted for period end exchange rate.

## 17.2. Financial instrument risks

### Risk management objectives and policies

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

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

### 17.2.1 Foreign currency sensitivity

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

The Company has a natural hedge to foreign exchange risk as the majority of its revenue and 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 consolidated financial statements.

	December 31, 2022 \$ (USD)	December 31, 2021 \$ (USD)
Cash and cash equivalents	1,732,625	2,326,399
Trade and other receivables	208,070	128,750
Accounts payable and accrued expenses	(440,672)	(337,653)
Acquisition price payable	(307,566)	-
Total exposure	1,192,457	2,117,496

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

It assumes a +/- 10% change of the \$/USD exchange rate for the year ended December 31, 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 10% (December 31, 2021 - 10%) would have had the following applicable positive or negative impact on net (loss) income:

	<u>Net (Loss) Income</u>
	\$
December 31, 2022	65,768
December 31, 2021	70,217

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

### 17.2.2 Interest rate sensitivity

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Company's objective in managing interest rate risk is to monitor expected volatility in interest rates while also minimizing the Company's financing expense levels. Interest rate risk arises from fluctuations in interest rates and the related impact on the return earned on cash and cash equivalents. On an ongoing basis, management monitors changes in short term interest rates and considers longer term forecasts to assess the potential cash flow impact to the Company. The 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, 2021: +/- 1%). These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant. As of December 31, 2022, approximately 76.2% (December 31, 2021 – 92.7%) of the Company's cash balances were held in interest bearing bank deposits and fixed interest rate GICs.

	<u>Net (Loss) Income</u>
	\$
December 31, 2022	25,778
December 31, 2021	37,302

### 17.2.3 Credit risk analysis

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
	\$	\$
Classes of financial assets - carrying amounts:		
Cash and cash equivalents	4,391,942	5,509,469
Trade and other receivables	292,548	215,791
Carrying amount	<u>4,684,490</u>	<u>5,725,260</u>

The Company continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The Company mitigates its credit risk by encouraging customers 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 only allows investments in very low risk financial instruments.

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 considered to be of very good credit quality.



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The aging of trade and other receivables was as follows:

	<b>December 31, 2022</b>		
	Gross trade and other receivables	Allowance for doubtful accounts	Net trade and other receivables
	\$		\$
Current	262,629	-	262,629
Past due 30 to 60 days	29,919	-	29,919
Total	292,548	-	292,548

  

	<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

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 receivable outstanding from customers have no risk of not being collected.

**17.2.4 Liquidity risk analysis**

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

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

The Company's financial liabilities consist of accounts payable and accrued expenses and acquisition price payable. Accounts payable and accrued expenses are short-term in nature and payment is due within one year. Acquisition price payable is scheduled as four cash payments (US\$50,000 on January 1, 2023, US\$91,666 on each of June 30, 2023, 2024, and 2025) and will be paid out of the Company's working capital generated from operations. Financial liabilities outstanding as at December 31, 2022 were \$1,521,176 (December 31, 2021 - \$838,420).

The Company considers cash flows from financial assets of \$4,684,490 (December 31, 2021 - \$5,725,260) in assessing and managing liquidity risk. The Company's existing cash resources and trade receivables (see note 17.2.3) exceed its current cash outflow requirements. Cash flows from trade and other receivables are contractually due within two months.

**18.0 Capital management policies and procedures**

The Company is managing its capital structure to provide sufficient capital to maintain its current operations and to continue with the development of new and existing products. The Company's capital consists of equity, cash and cash equivalents and accounts receivable. Cash is managed by selling software subscriptions for cash or invoiced with short credit terms and actively collecting accounts receivable. Company policy precludes any investment into financial instruments offered by banks or other institutions where the principal may be at risk. Financial information is reviewed regularly by Company management and is overseen by the Board of Directors. As at December 31, 2022, cash and cash equivalents balances were \$4,391,942 (December 31, 2021 - \$5,509,469) and equity was \$3,085,868 (December 31, 2021 - \$4,879,192). The Company is focused on increasing its revenue.

## OneSoft Solutions Inc.

### Notes to the Consolidated Financial Statements

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

#### 19.0 Related party transactions

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

Key management and Board remuneration consisted of the following:

	Year Ended December 31, 2022	Year Ended December 31, 2021
	\$	\$
Salaries, benefits, management fees and directors' fees	1,183,967	1,087,789
Stock based compensation	193,161	333,252
Total	1,377,128	1,421,041

Stock based compensation is the amount of expense recognized in the consolidated statements of loss and comprehensive loss relating to the identified key management personnel and directors. Included in accounts payable and accrued expenses is \$204,313 (December 31, 2021 – \$179,179) due to these related parties.

#### 20.0 Commitment

In December 2017, the Company and a major customer entered into a contract to transform the customer's on-premise pipeline asset management software to a remote-access SaaS software application to be offered to customers. The contract successfully concluded in December 2018. The Company provisionally owns the software, which will become absolute provided minimum royalties of U.S. \$2.25 million are paid based on revenue generated by rights to use the components of the software in the ten-year period ending December 20, 2027. As of December 31, 2022, total royalties of US\$1,077,442 (December 31, 2021 – US \$580,535) have been recorded. Royalties are paid quarterly within 30 days after each quarter ends.

#### 21.0 Contingency

On July 27, 2020, OBS CA filed a Statement of Claim (the "Lawsuit") against Cylo Technologies Incorporated ("Cylo") and its principals. Under a Software License Agreement ("SLA") signed October 24, 2014, Cylo is a licensee of intellectual property owned by OBS CA. The Lawsuit alleges multiple breaches of the SLA including interfering with OneBridge's rights of ownership of its intellectual property, non-payment of royalties and unspecified commercial damages. The Company is seeking compensation for the business damages, payment of the unpaid royalties and injunctions restricting the principals of Cylo from competing with OBS CA. Management believes it is prudent for the Company to continue to vigorously protect value for shareholders by protecting all its intellectual property, including all legacy and current technologies and related contractual rights. The Lawsuit is still in process. A provision has not been made for future legal expenses nor for any benefit the Company may eventually realize from this action, as no estimate of award is possible.

#### 22.0 Assessment of the impact of the COVID-19 pandemic on our business

The COVID-19 global pandemic and related actions taken by governmental authorities caused an overall slowdown in the global economy, disruptions to global supply chains and reductions in trade volumes. Restrictions on gatherings of individuals and travel bans were implemented but are now rescinded and interruptions in and to the business of the Company's customers are believed to have passed. 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 believes the pandemic slowed the signing of prospective customers to commercial contracts but as all restrictions have been removed, marketing and sales efforts are being conducted as they were prior to the pandemic. The Company no longer expects any 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 from the pandemic. Should the global pandemic reassert itself, the Company will reevaluate its effect on operations.



