



ONESOFT SOLUTIONS INC.

MANAGEMENT'S DISCUSSION & ANALYSIS
THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023

This Management's Discussion and Analysis ("MD&A") is dated November 14, 2023.

INTRODUCTION

This MD&A of the financial condition and results of operations for the three and nine months ended September 30, 2023 discusses the Company's financial performance, business overview, strategy and outlook from management's viewpoint. It should be read in conjunction with the unaudited condensed consolidated interim financial statements and accompanying notes for the three and nine months ended September 30, 2023 and the audited consolidated financial statements and notes thereto for the year ended December 31, 2022. The financial statements and additional Company information are available to view on www.onesoft.ca and on www.sedarplus.ca. References in this MD&A to "OneSoft", the "Company" and "OSS" mean OneSoft Solutions Inc. and its subsidiaries, unless the context otherwise suggests.

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

OneSoft's shares trade on the TSX Venture Exchange in Canada, under the symbol "OSS", and are listed on the OTCQB market in the U.S.A., under the symbol "OSSIF".

This MD&A contains forward-looking information based on certain expectations, projections, and assumptions. This information is subject to many risks and uncertainties, many of which are beyond the Company's control. Users of this information are cautioned that actual results may differ materially. Readers are directed to the "Risks and Uncertainties" on page 16 of this document and to the "Advisory Regarding Forward Looking Information" on page 19.

GLOSSARY: DEFINITIONS USED IN THIS DOCUMENT

Financial Periods referred to in this document:

- "Fiscal 2022" means the twelve-month period January 1 through December 31, 2022.
- "Fiscal 2023" means the twelve-month period January 1 through December 31, 2023.
- "Fiscal 2024" means the twelve-month period January 1 through December 31, 2024
- "Q1 2022" means the three-month period January 1, 2022 to March 31, 2022.
- "Q2 2022" means the three-month period April 1 through June 30, 2022.
- "Q3 2022" means the three-month period July 1, 2022 through September 30, 2022
- "Q1 2023" means the three-month period January 1, 2023 to March 31, 2023.
- "Q2 2023" means the three-month period April 1 through June 30, 2023.
- "Q3 2023" means the three-month period July 1, 2023 through September 30, 2023
- "H1 2022" means the six-month period January 1 through June 30, 2022.
- "H1 2023" means the six-month period January 1 through June 30, 2023.
- "9M 2023" means the nine-month period January 1 through September 30, 2023.
- "9M 2022" means the nine-month period January 1 through September 30, 2022.

"AI" means artificial intelligence, the term generally used for technology that attempts to mimic human thinking and behavior and the ability of a machine to emulate human intelligence. AI is part of Data Science, whose components include Machine Learning and Deep Learning. Machine learning uses statistical methods to enable machines to improve with experience and use algorithms to incorporate intelligence into machines through automatic learning from data, by extracting knowledge from data. Deep learning is a subset of machine learning which incorporates algorithms that mimic the human brain to incorporate intelligence into machines.

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

"Azure" is Microsoft's cloud computing service which offers a range of software-as-a-service ("SaaS"), platform-as-a-service ("PaaS") and infrastructure-as-a-service ("IaaS") options for deploying applications and services on Microsoft-managed data center infrastructure. OneSoft's software products have been designed to be deployed and operated on Microsoft Azure, a cloud platform which features in excess of ninety cyber security compliance certificates.

"CIM" or "Cognitive Integrity Management"™ is the Company's software-as-a-service software solutions that address the end-to-end business process flow of oil and gas pipeline integrity processes including: assessment planning, integrity compliance, dig management, threat monitoring, data management and analyses of the various datasets that apply to asset integrity. CIM is comprised of several modules, as follows:

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

Management believes this module is revolutionary when compared with legacy processes currently used in the industry. Legacy ILI data matching typically requires multiple weeks for highly trained engineers or consultants using Excel spreadsheets to align and analyze only a subset of data from two ILI data sets (i.e., the most current and next most current ILI datasets) and thereafter apply that sample analysis to extrapolate predictions for the remainder of the pipe being analyzed. Typical costs for consultants to perform this task with legacy systems vary between US\$5,000 and US\$8,000 to match two ILI data sets, depending upon the volume of data that is aligned and matched. A larger pipeline company may analyze 150 such data sets in a year.

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

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

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

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

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

- **“CIM Platform”** is the data hub structure that evolved from CIM ILI and CIM Core modules, wherein data ingestion, normalization and analytics capabilities were enhanced to process the various additional data sets that pipeline operators use to perform other aspects of pipeline asset and operational management. The architecture of the CIM Platform was initially determined using “frog” design software concepts introduced during our collaborative work with Microsoft at their Accelerator in 2016 and optimized to leverage big data management and analytics using machine learning and cloud computing. Management believes that our approach uniquely differentiates OneSoft from other O&G software vendors, who still perpetuate legacy software development methodologies that favor stand-alone modules destined to operate in siloed fashion, without capability to deliver CIM-type benefits. The CIM Platform is foundational to the Company’s other CIM modules and may potentially be monetized for third party applications by other industry vendors.
- **“Corrosion Management”** means the Company’s software module currently under development to address internal and external corrosion, with data management and analytics for corrosion coupons, sampling, pigging, transported material flow velocity and flow mode, chemical usage and external pipeline corrosion caused by elements in the atmosphere and surrounding environment. Corrosion Management data is correlated to ILI data to monitor trends, forecast chemical spend and pipeline forecasted life to determine overall corrosion mitigation effectiveness. This module is marketed using the Consumption Economics model.
- **“Crack Management”** means the Company’s software module currently under development to assist pipeline operators with data analytics concerning integrity and threat management associated with pipeline cracks, generally in accordance with recommended operating practices pursuant to API RP 1176 and both U.S. and Canadian regulations. When completed, this module will be marketed using the Consumption Economics model.

- **“Risk Management”** means the Company’s quantitative risk software module currently under development. Risk Management embeds [C-FER Technologies’](#) nine probabilistic threat models into CIM (External Corrosion; Internal Corrosion; Stress Corrosion Cracking; Manufacturing-Related Defects; Welding/Fabrication Defects; Equipment; Third Party / Mechanical Damage; Weather & Outside Force; and Incorrect Operation) which collectively address pipeline operations regulation ASME B31.8S. When completed, this module will be marketed using the Consumption Economics model.
- **“Geohazard Management”** means the software module currently being researched in the Company’s Innovation Lab to assess seismic, earth movement, soil and water factors that contribute to potential pipeline strain and failures. The Company has not yet committed to develop and commercialize Geohazard Management, pending further technical and market due diligence that is currently ongoing. If it is completed, this module will be marketed using the Consumption Economics model.

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

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

“Deferred Revenue” means prepayments from customers for the use of CIM.

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

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

“HCA” means “High Consequence Area” which is defined by the U.S. Department of Transportation as an area where pipeline releases could have the most significant adverse consequences for human health and safety, damage to personal or commercial property or environmental degradation.

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

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

“IaaS” means pipeline Integrity-as-a-Service. The Company released Corrosion Growth Rate Analysis (**“CGR”**) as the first component of IaaS that enables pipeline integrity engineers to submit ILI logs to OneBridge for OneBridge engineers to analyze and conduct run comparisons using CIM’s pit-to-pit alignment and analytics functionality to provide reports presenting corrosion growth rates and other potential pipeline failure threats.

“IoT” means the Internet of Things which describes groups of physical objects that are embedded with sensors, software and other technologies for the purpose of connecting with and exchanging data with other devices and systems over the internet with no or minimal human intervention. In the pipeline industry, IoT may involve connecting devices such as rectifiers, test posts and leak detection devices to the internet to facilitate remote monitoring and in some cases, remote control.

“IM Operations” means the [Integrity Management business unit](#) purchased from Mesa Products, Inc. Assets acquired include software technology, rights to current and prospective customers and a highly experienced team of employees with deep domain expertise and strong customer relationships whom we believe can help OneBridge expedite its go-to-market plans with OneBridge risk solutions. IM Operations during the past two decades involved provision of services regarding certain pipeline integrity quantitative and probabilistic risk assessments and risk management for high consequence areas, using its proprietary RIPL and RiskCat software solutions augmented with consulting services. It also licensed its software to customers for their on-premise use and it charges an annual and technical support and software maintenance fee for the customer to be provided software updates. OneBridge assumed operational control of IM Operations effective July 1, 2022. The Company’s intention is to convert on-premise RIPL software to a SaaS platform to grow the related revenues.

“IP” means intellectual property.

“Management” means the senior executive management team of OneSoft, which include the Company’s CEO, President and COO, CFO and President of the Company’s Canadian subsidiary.

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

“Net Exercise” occurs when Stock Options are exercised without the Corporation receiving any cash from the exercise of the subject Options, and instead the Optionee receives the number of underlying Shares that is the equal to the quotient obtained by dividing:

- (a) the product of the number of Options being exercised multiplied by the difference between the volume weighted average price of the underlying Shares and the exercise price of the subject Options; by
- (b) the VWAP of the underlying Shares.

“VWAP” means the volume weighted average trading price of the Corporation’s Shares on the TSXV calculated by dividing the total value by the total volume of such securities traded for the five trading days immediately preceding the exercise of the subject Stock Option, provided that where appropriate, the TSXV may exclude internal crosses and certain other special terms trades from the calculation.

“O&G” means oil and gas.

“OneSoft” means OneSoft Solutions Inc. and includes the accounts of OneSoft and its wholly owned subsidiaries: OneBridge Solutions, Inc., OneBridge Solutions Canada Inc. and OneCloudCo Limited.

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

“PHMSA” means the Pipeline and Hazardous Materials Safety Administration, the regulator of U.S. oil and gas pipeline operations that operates under the U.S. Department of Transportation. PHMSA’s mission is to protect people and the environment by advancing the safe transportation of energy and other hazardous materials.

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

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

“SaaS” means software-as-a-service.

“SOC 2” refers to the comprehensive internal control reporting framework developed by the American Institute of Certified Public Accountants for service organizations. OneBridge Solutions has engaged an independent third-party auditor to assess and test the internal controls the Company has established in and around its CIM solution relating to criteria of security to ensure the Company complies with the SOC 2 set of standards. Certification of compliance with SOC 2 is intended to meet the demands of customers who seek detailed information and require assurance about internal controls prior to their approval of CIM for their internal use and uploading of their confidential data into it. In December 2022, the Company was certified by an independent auditor as compliant with SOC 2 Type 2 controls relevant to Security, Availability and Confidentiality.

“SME” means subject matter expert.

OVERVIEW

OneSoft Solutions Inc. is a leading provider of SaaS solutions that enable oil and gas pipeline companies to extract and unlock value from their unused and underused company data to improve decision making regarding pipeline integrity, safety, operational logistics and regulatory compliance matters. OneSoft provides scalable, state-of-the-art SaaS solutions that use advanced data science and machine learning and operate on Microsoft’s Azure cloud computing platform, which serve to increase operational efficiencies and reduce risks and costs for customers.

Integrity management of pipeline assets involves complex processes requiring analyses of multiple large data sets and adoption of OneSoft’s solutions provides customers with capability to use big data management using cloud computing to operate their assets most efficiently. Oil and gas pipeline companies operate in a highly regulated environment due to the potential damage caused by pipeline release events and may suffer costly pipeline shutdowns and assessment of large fines imposed by regulators if proper compliance with operational regulations is not maintained. OneSoft’s solutions automate the ingestion, normalization

and alignment of big data, with advanced capability to identify potential threats to pipelines and facilitate threat mitigation, risk reduction and compliance with regulatory standards, including capability for operators to be “audit-ready” at all times.

All commercial business operations are conducted through OneSoft’s wholly owned OneBridge subsidiaries. Revenue is generated using a SaaS deployment model. Our solutions are optimized to operate on Microsoft’s Azure cloud computing centers available worldwide which, in conjunction with OneSoft’s technology and products, provide the utmost in data security and analytics for customers.

HIGHLIGHTS OF QUARTER ENDED SEPTEMBER 30, 2023

2023 Financial Metrics

Quarterly financial metrics are summarized in the table below, with a comparison to the same period last year.

| OneSoft SaaS Metrics | Three months ended | | Year to Date | |
|---|--------------------|--------------|--------------|--------------|
| | Q3 2023 | Q3 2022 | YTD 2023 | YTD 2022 |
| Revenue as reported in the Financial Statements | \$ 2,770,457 | \$ 2,085,135 | \$ 7,470,434 | \$ 4,699,253 |
| Revenue categorization: | | | | |
| Annual Recurring Revenue ("ARR") | \$ 2,210,850 | \$ 1,565,152 | \$ 6,010,065 | \$ 4,020,681 |
| Other Revenue | \$ 559,607 | \$ 519,983 | \$ 1,460,369 | \$ 678,572 |
| Total Revenue | \$ 2,770,457 | \$ 2,085,135 | \$ 7,470,434 | \$ 4,699,253 |
| Direct Costs | \$ 639,762 | \$ 543,949 | \$ 1,892,034 | \$ 1,353,747 |
| Gross profit | \$ 2,130,695 | \$ 1,541,186 | \$ 5,578,400 | \$ 3,345,506 |
| Direct Costs as % of Revenue | 23% | 26% | 25% | 29% |
| Gross profit as % of Revenue | 77% | 74% | 75% | 71% |
| ARR as % of Total Revenue | 80% | 75% | 80% | 86% |
| ARR Growth (Qtr / Qtr, YTD / YTD) | 41% | 34% | 49% | 56% |

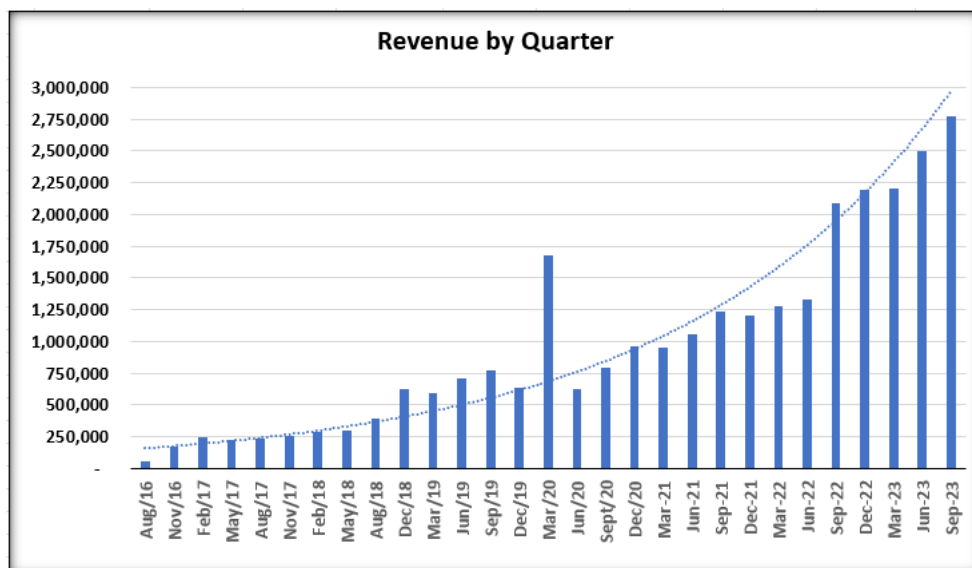
- Revenue in Q3 2023 was \$2.8 million, an increase of 33% or \$0.7 million over Q3 2022 revenue of \$2.1 million. The increase in revenue can be analyzed by customer groups as follows:

| | |
|---|-------------------|
| Increase in revenue from CIM customers | \$ 688,874 |
| Decrease in revenue from IM Operations | (76,889) |
| Foreign exchange effect, period over period | 73,336 |
| Increase in revenue | <u>\$ 685,322</u> |

- ARR increased quarter over quarter by \$645,968 or 41.3% to \$2.2 million, due to greater CIM use by existing customers and new customers gained since this period last year.
- Gross profit increased 38.3% to \$2.1 million in Q3 2023 from \$1.5 million in Q3 2022. Gross profit as a percentage of sales was 76.9% in Q3 2023 and 73.9% in Q3 2022. All elements of direct costs as a percentage of sales decreased in Q3 2023.
- Net income in Q3 2023 was \$118,892, an improvement of \$418,785 or 139.6% from Q3 2022’s loss of \$299,893, driven by the increase in revenue and gross profit.
- Adjusted EBITDA, a Non-GAAP measure reconciled to the net loss on page 19 improved from negative \$99,774 in Q3 2023 to positive \$307,584 in Q3 2023.
- Liquid assets increased by \$2.0 million to total \$6.7 million at September 30, 2023 (\$4.7 million as at December 31, 2022), comprised of cash and cash equivalents of \$4.3 million and accounts receivable of \$2.4 million. New CIM customers and customers renewing their CIM contracts drove the increase in accounts receivable. 97% of the accounts receivable outstanding on September 30, 2023 were collected in October 2023.

Quarterly Revenue

The chart below shows revenue for the past twenty-nine quarters (7.25 years). Quarterly revenue increased as a result of continued addition of new customers, expanded use of CIM by existing customers and augmented by the acquisition of IM Operations’ customers acquired June 30, 2022. Management’s objective is to continue to increase revenues to drive cash flow and profitability which we believe will increase future Company value for shareholders.



REVIEW OF FISCAL 2023 GUIDANCE

Further to the Company's Fiscal 2023 guidance stated in a news release issued on [January 24, 2023](#), the Company advises its progress for H1 2023 is as follows.

| <i>\$ 000's except percentages</i> | Fiscal 2023 (Guidance) | 9 Mos. 2023 (Actual) | % of 9 Mos. 2023 to FY 2023 Forecast |
|--|-----------------------------------|---------------------------------|---|
| Revenue | \$ 10,104 | \$ 7,470 | 74 % |
| Gross Profit | \$ 7,578 | \$ 5,578 | 74 % |
| Operating expenses, net of costs capitalized | \$ (7,707) | \$ (5,969) | 77 % |
| Other expenses | \$ (1,168) | \$ (700) | 60 % |
| Net Loss | \$ (1,297) | \$ (1,092) | 84 % |
| Adjusted EBITDA | \$ (28) | \$ (274) | |

- Revenue is forecast to be \$10.1 million in Fiscal 2023, of which \$9.2 million is expected from increased software use by existing customers and services provided by IM Operations and \$0.9 million of revenue is expected from new customers who contract in 2023. Revenue was \$7.5 million year to date in 2023, in accordance with Management's expectations. Management is not changing its revenue guidance for forecasted 2023 revenue.
- Gross profit is forecasted at \$7.6 million in Fiscal 2023. YTD 9 months 2023, gross profit was \$5.6 million. Management believes the gross profit objective of \$7.6 million may be achieved.
- Fiscal 2023 operating expenses, net of costs capitalized, are forecasted at \$7.7 million and Other expenses are forecasted at \$1.2 million. YTD 9 months 2023, operating expenses were \$75,200 over plan and other expenses were below plan by \$310,000. As discussed in the Business Update section below, the Company has increased its software development and customer service teams, which will increase forecasted expenses in H2 2023. Resulting changes to forecasted expenses for the balance of Fiscal 2023 may be negatively impacted. The additional expense is partly being offset by contingency expenses budgeted in our original guidance.
- Net Loss and the Adjusted EBITDA loss for Fiscal 2023 are forecasted at \$1.3 million and \$28,000 respectively. YTD 9 months 2023, the net loss was \$1.1 million, and the Adjusted EBITDA loss was \$274,161. Management believes the Fiscal 2023 revenue guidance will be attained provided expected new business is achieved as the year progresses. The guidance values for net loss and Adjusted EBITDA figures continue to be seen as attainable provided the projected revenue from new customers is realized in the fourth quarter as planned.
- The following table states forecasted cash and deferred revenue balances as at December 31, 2023 and actual values as at September 30, 2023. Management believes forecasted figures will be achieved.

| <i>\$ 000's except percentages</i> | (Forecast) | Dec. 31, 2022 | Sept. 30 2023 |
|------------------------------------|-------------------|----------------------|----------------------|
| Cash and cash equivalents | \$ 4,040 | \$ 4,392 | \$ 4,307 |
| Deferred revenue | \$ 1,815 | \$ 2,104 | \$ 4,152 |

CIM Use and Revenue Generating Data-miles

The following table shows the estimates the miles of customers' pipeline assets that are subject to multi-year SaaS agreements and the approximate miles of pipeline data ingested into CIM on which revenue was earned ("**data-miles**").

| CIM Use & Revenue Generating Data-miles | Fiscal 2023 (Guidance) | Dec. 31 2022 | Sept. 30, 2023 |
|--|---------------------------|-----------------|-------------------|
| Pipeline miles Operated by Customers | - | 165,723 | 260,743 |
| Pipeline miles on SaaS subscription | 151,195 | 98,839 | 134,764 |
| Pipeline miles generating revenue | 65,697 | 53,483 | 72,360 |
| % of subscription miles generating revenue | 43% | 54% | 54% |
| Revenue per Mile for revenue generating miles (Note 1) | \$ 131 | \$ 105 | \$ 136 |

Note 1: The revenue per mile for revenue generating miles includes CIM revenue only and excludes IM Operations revenue. Quarterly figures are annualized.

- "**Pipeline miles Operated by Customers**" in the above table represents the total pipeline miles operated by all Customers, based on figures publicly disclosed by individual Customers. The difference between miles operated and miles on SaaS subscription generally represent non-piggable miles for which ILL analysis is not currently performed. This figure is reported because OneSoft's objective is to onboard Customers' non-piggable miles at some point in the future, after functionality to address non-piggable miles is developed and commercialized.
- "**Pipeline miles on SaaS subscription**" represents the piggable pipeline miles for which customers expect to ingest data into CIM over time. Customers are charged a recurring annual fee based on the number of piggable miles as stated in SaaS agreements which enables them to load data for segments of their pipelines into CIM. Customers typically complete the loading of data for all of their piggable miles over the course of several years.
- "**Pipeline miles generating revenue**" in the above table approximates the current data-miles ingested into CIM that are revenue generating. When customer contracts specify minimum mileage, the minimum mileage is used.
- "**% of subscription miles generating revenue**" is the percentage of pipeline miles generating revenue divided by the total miles under SaaS subscriptions.
- "**Revenue per mile for revenue generating miles**" is the calculation of total CIM revenue divided by the total of the pipeline miles generating revenue. This calculation is an annualized year-to-date value, and the maximum annual revenue per data-mile value can only be known when all Customers' miles become revenue generating for the entire fiscal year. It is subject to fluctuation due to Customer pipeline maintenance schedules. Management uses this revenue per mile figure as a metric to estimate future potential revenue. Certain Customer contracts are priced on the number of ILL logs ingested, not data-miles, which may cause revenue per data mile to vary depending on their pipeline integrity maintenance schedules.
- The Revenue per Mile value as at September 30 2023 is estimated to be \$136, calculated by dividing the YTD 9 months 2023 CIM related revenue (and excluding IM Operations) of \$6,281,878 by the year to date September 2023 average of 61,307 pipeline miles per month generating revenue.

BUSINESS UPDATE

We achieved positive net income in Q3 2023, the first profitable quarter since fiscal year ended December 31, 2018. Since then, the Company's priority has been to enhance our CIM solution and increase our revenue, competitive moat and customer loyalty, which although resulting in operational losses, serves to increase future opportunities and shareholder value. We increased resources again in 2023 to further advance our technological leadership and strengthen our competitive moat, as was discussed in the Business Update section of our last [MD&A for Q2 2023](#). The additional costs resulting from recruiting additional employees will not materially increase expenses projected in the Company's Fiscal 2023 financial guidance in January 2023, as some of the previously anticipated expenses will not materialize and higher revenue diminishes the impact of higher technology development expenses.

Company operations through Q3 2023 have generally progressed in accordance with Management's expectations, including progress regarding the addition of new customers and increasing interest in new functionality modules from existing customers. The Company organized a user group conference during Q3 2023, which took place during the first week of October at the Microsoft Executive Briefing Centre in Houston. This event was attended to maximum capacity by our customers, who collaboratively shared their input regarding current CIM functionality and future technology requirements. We are pleased to report that customers expressed complimentary views that our services and development personnel and CIM solution are highly valued, and that most customers intend to utilize new functionality modules that are under development or part of our technology roadmap.

The Company hosted its first online quarterly financial results conference call on August 17, 2023, to review the Q2 2023 financial results. Management also attended numerous meetings with Company and industry followers and continued to investigate

business development initiatives during the quarter, including potential collaborations with new reseller partners and other synergistic parties that could potentially accelerate Company growth and opportunities.

Technology and Product Development

- The Company continued to enhance its Core CIM platform and provides updates to users on an approximate 6-week cadence. Certain new functionality included in these updates is enabled for some customers as private preview users to provide feedback and input. Most of the ongoing enhancements are a continuation of building out the horizontal aspects of the CIM platform and are being provided to be responsive to the innovation escalator pricing included in customer SaaS agreements, however, some of the new functionality may be segregated in the future to generate additional revenue in accordance with the Company's Consumption Economics model.
- The Internal Corrosion MVP has been commercially released to market and the Company is now engaging with some customers to add this module to 2024 SaaS subscriptions.
- The Company's Crack Management module MVP is focused on pressure cycle fatigue analysis (referred to as "PCFA" within the industry) functionality which simulates growth of pipeline cracks to their failure point, to determine remaining life and threat to failure of the pipe at the crack location. This module is scheduled for commercial release to market in Q4 2023.
- The Company has progressed its development of an External Corrosion module, with more efforts still required to complete the MVP version. Existing and prospective customers have expressed interest in this module, as complementary functionality to the Internal Corrosion module. Internal and external corrosion modules address integrity management of non-piggable as well as piggable pipelines and increase potential addressable markets for the Company's solutions. No date for commercialization has been established.
- The Company's Risk module is designed as a comprehensive cloud solution with integration into the CIM platform, to enable automated alignment of other datasets that support asset integrity processes. The Company continues to engage with private preview users who provide feedback and input that assists the completion of the Risk MVP. Management expects to compete with several legacy, on-premise risk software solutions that currently have established market presence, with the objective of replacing these legacy products that don't offer cloud computing, quantitative risk assessment functionality and/or integration with other datasets that are required for integrity management. OneSoft's Risk Management MVP will initially focus on "probability of failure" functionality based on C-FER Technologies quantitative risk models. Subsequent iterations of this module are expected to include consequence of failure and other risk assessment functionality.

There are several compelling reasons for pipeline operators to adopt CIM Risk to replace legacy products. CIM has a unique advantage of automated capability to ingest, align and analyze multiple, disparate and siloed data sets of information. Legacy risk assessment products operate on conventional on-premise computing systems that lack the computational speed and capacity of cloud computing and require significant manual efforts to analyze those same data sets. Given CIM's computing speed, risk assessments can be run continually, rather than only annually, as is typical practice using legacy systems. Also, CIM presents risk computations together with the actionable pipeline threats that require mitigation.

- The Company continued its research during Q3 2023 regarding bending strain and potentially other aspects of geohazard threat management. If this project proceeds beyond the Innovation Lab through to product commercialization, the module(s) will be marketed as additional revenue generating components of CIM. Certain customers have agreed to participate in this project as private preview users, with the initial focus of addressing geohazard bending strain. Buried pipelines can suffer from lateral pressures because of geophysical events such as washouts or earthquakes and the resulting strain may cause bends and reduce the durability of the pipeline. Inertial measuring unit ("IMU") devices, using gyroscopes and accelerometers to measure pipeline assets in three-dimensional space, provide information coupled in ILI data sets that can determine bending of pipelines. Through the ingestion, alignment and correlation of IMU, ILI, internal corrosion and environmental data, we believe that CIM can automate bending strain assessments to identify areas of geohazard susceptibility, flag areas of pipeline movement or strain above a certain threshold and thereby provide operators with an effective and efficient way to manage this aspect of geohazard threats, as is required to comply with PHMSA Advisory Bulletins.

Sales and Customers

During Q3 2023, the Company added one [large customer](#) who entered into a new multi-year SaaS agreement to use CIM and is engaged with several other potential customers who are expected to finalize SaaS agreements to adopt CIM in future periods.

AI Considerations

As was discussed in our last MD&A, the Company continues to expand its data lake of information upon which artificial intelligence ("AI") can be leveraged to hone data analytics in the future. Although still in its early stages at this point, we believe that AI can assist customers to improve their operational efficiencies and safety issues, when customer demand for this new

technology increases. OneSoft is uniquely well-positioned to exploit the future AI opportunity for the oil and gas pipeline industry, because of the capability of CIM to ingest, normalize and align various data sets, our large collection of industry data and the skillsets of the data scientists we employ.

Management believes that AI may generate new revenue opportunities in the future, through enhancement of functionality and capabilities of CIM and the functionality in the Internal and External Corrosion, Crack, Risk and GeoHazard/Bending Strain modules. Other AI opportunities may include text recognition to convert decades of historical paper documents into digital data as well as applying the learnings from assessments of data from piggable pipelines to non-piggable pipelines (more than 2 million miles in the U.S.A.), which could potentially represent additional future revenue.

Microsoft plans to integrate Chat GPT and other AI technology components across their platforms including Edge, Azure, etc. Management believes that OneSoft will be able to leverage Microsoft's Azure deep learning language models to optimize our solutions. For instance, by emulating a virtual integrity pipeline engineer's interrogation of data to answer questions such as "where is my greatest risk?". Pipeline assessment data plus decisions made upon analysis of this data plus determination of the outcome (i.e., whether the decision was ultimately correct or not) can be incorporated into algorithms that can be trained to make good decisions. Management believes that such evolution of AI could have significant positive impact in the future.

OUTLOOK

Q3 2023 results continued to progress our achievement of the guidance disclosed by the Company in January 2023 and Management is optimistic that Q4 2023 will evolve as anticipated, with continued sales and revenue growth into Fiscal 2024 and the foreseeable future. We are encouraged that our customer base and pipeline miles under CIM use continues to increase and that some large pipeline operators, such as our latest customer addition, are viewing the adoption of CIM as a better alternative than pursuing in-house software development projects.

Sales efforts are currently underway with prospective customers in North America and certain international regions, which we expect will result in new customer adds. OneSoft is poised to achieve 47% revenue growth in Fiscal 2023 over Fiscal 2022, with near to break-even cash flow. With a strong and strengthening balance sheet, sufficient cash on hand, a strong base of hallmark customers who generate recurring revenues and promising ongoing sales activities we believe there will be no requirement to raise additional capital to execute current business and operational plans.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

The Company published information regarding its ESG practices in its [MD&A for the year ended December 31, 2022](#) filed on SEDAR+ on March 30, 2023. Updates will be provided in future disclosures as they occur.

SUMMARY OF QUARTERLY RESULTS

| Quarter ended | FY 2023 | | | FY 2022 | | | | FY 2021 |
|--|---------|--------|--------|---------|---------|--------|---------|---------|
| (\$ 000's, per Share in Dollars) | Sept 30 | Jun 30 | Mar 31 | Dec 31 | Sept 30 | Jun 30 | Mar 31 | Dec 31 |
| Revenue | 2,770 | 2,500 | 2,200 | 2,189 | 2,085 | 1,334 | 1,280 | 1,201 |
| Gross profit | 2,131 | 1,896 | 1,551 | 1,565 | 1,541 | 907 | 897 | 880 |
| Operating expenses (net of salaries and employee benefits capitalized as software development) | 1,939 | 2,103 | 1,921 | 1,906 | 1,833 | 1,649 | 1,672 | 1,588 |
| Net income (loss) | 119 | (558) | (652) | (624) | (300) | (984) | (1,064) | (1,059) |
| Basic and diluted loss per share: | - | - | (0.01) | - | - | (0.01) | (0.01) | (0.01) |

Quarter ended September 30, 2023, compared to Quarter ended September 30, 2022

Revenue and Gross Profit

| | Q3 2023 | Q3 2022 | Change | |
|-----------------------|------------------|------------------|----------------|-------------|
| | \$ | \$ | \$ | % |
| CIM revenue | 2,416,568 | 1,663,725 | 752,843 | 45.3 |
| IM Operations revenue | 353,889 | 421,410 | (67,521) | (16.0) |
| Total Revenue | 2,770,457 | 2,085,135 | 685,322 | 32.9 |
| Direct costs | 639,762 | 543,949 | 95,813 | 17.6 |
| Gross profit | 2,130,695 | 1,541,186 | 589,509 | 38.3 |
| Gross margin | 76.9% | 73.9% | 3.0 | 4.1 |

Revenue increased by \$685,322 or 32.9%. Due to addition of two new customers in the current quarter and increased use of CIM by numerous other customers, CIM revenue increased \$752,843 or 45.3%. IM Group revenue declined by \$67,521 or 16.0% due

to a reduced number of pipeline failure impact studies and simulations conducted for this group of customers.

Gross profit increased due to the increase in revenue and because gross margin increased to 76.9% from 73.9%. All cost of sales factors decreased as a percentage of revenue due to a change in product mix which decreased software royalties paid to a third party and more efficient use of staff labor and Azure cloud services.

Operating expenses:

| | Q3 2023 | Q3 2022 | Change | |
|--|------------------|------------------|----------------|------------|
| | \$ | \$ | \$ | % |
| Salaries and employee benefits | 1,506,021 | 1,395,189 | 110,832 | 7.9 |
| Sales and marketing | 278,671 | 273,952 | 4,719 | 1.7 |
| General and administration | 232,703 | 276,013 | (43,310) | (15.7) |
| | 2,017,395 | 1,945,154 | 72,241 | 3.7 |
| Salaries and employee benefits capitalized | (77,911) | (111,733) | 33,822 | (30.3) |
| Operating expenses, net of costs capitalized | 1,939,484 | 1,833,421 | 106,063 | 5.8 |

Salaries and employee benefits expense increased \$110,832. Due to demands from customers for product enhancements and an increased workload from implementing new customers, the number of employees has increased by nine people since this period last year. The Company operates in a highly competitive market for talent, and to ensure staff retention, wage increases have been granted selectively to employees and higher accruals were recorded for incentive compensation. Allocations of staff salaries to other expense categories, such as direct costs for provision of customer support services and for sales assistance efforts with prospective customers, partially offset the aforementioned increases.

Sales and marketing expenses were almost the same in this quarter last year. Additional staff time consumed with conducting software trials and CIM benefits analyses with prospective customers was offset by lower attendance at trade shows, which was a timing difference, given that the Company has not decreased these yearly promotional activities. Sales commissions amortized to marketing expense reduced as variable pay for closing business transactions has been restructured. Due to timing, travel expense decreased nominally, but is expected to increase in upcoming quarters as the Company has committed to attendance at various events during Q4 2023.

General and administrative expenses decreased \$43,310. In Q3 2022, the Company recorded legal fees arising from the acquisition of the IM Operations and for action taken to protect the Company's IP that involving a third party's breach of terms in using some of the Company's software IP. No similar acquisition expense was incurred in the current quarter and the Company resolved the statement of claim filed to protect its IP in its favor, generating an expense reduction of approximately \$82,000. Higher expense accruals for the annual audit, annual fees due to securities commissions and higher insurance expenses offset the cost reduction.

In Q3 2023, software development costs associated with the integration of C-FER risk models into CIM Risk Management, external pipeline corrosion measurement and pipeline lateral crack detection and measurement functionality were capitalized. In Q3 2022, these same products were being developed along with internal corrosion measurement and higher costs were invested into the lateral crack detection product. As internal corrosion is now deemed to be commercially released to market, its costs are no longer being capitalized. This, and the reduction of development costs for lateral crack detection, reduced the total expenses capitalized in the current quarter.

Other expense (income):

| | Q3 2023 | Q3 2022 | Change | |
|--|----------------|----------------|---------------|--------------|
| | \$ | \$ | \$ | % |
| Stock based compensation | 108,179 | 132,168 | (23,989) | (18.2) |
| Amortization of intangible assets | 109,463 | 86,468 | 22,995 | 26.6 |
| Depreciation of property and equipment | 5,068 | 4,644 | 424 | 9.1 |
| Provincial innovation employment grant | (92,325) | (138,067) | 45,742 | (100.0) |
| Foreign exchange gain | (24,048) | (54,394) | 30,346 | (55.8) |
| Interest income | (34,018) | (23,161) | (10,857) | 46.9 |
| | 72,319 | 7,658 | 64,661 | 844.4 |

Stock compensation decreased due to amortization completing on stock option grants previously made to directors, officers, consultants and employees.

Amortization increased as previously deferred software development costs are being amortized in 2023.

The provincial innovation employment grant arose from the scientific research and development expenditures the Company made in the Province of Alberta in 2022. The rebate is presented net of consultant's fees and net of a small allocation to capitalized costs. The net grant was marginally smaller in 2023 than in 2022.

Foreign exchange (gain) loss increases and decreases with the change in the U.S. to Canadian dollar foreign exchange rate and the amount of the Company's U.S. dollar denominated assets and liabilities. In Q3 2023, the exchange rose, increasing the value of the Company's net U.S. asset, which created a foreign exchange gain.

Interest income rose due to higher interest rates being received on invested cash.

Summarized statement of net loss

| | Q3 2023 | Q3 2022 | Change | |
|---------------------------------------|----------------|------------------|----------------|----------------|
| | \$ | \$ | \$ | % |
| Revenue | 2,770,457 | 2,085,135 | 685,322 | 32.9 |
| Gross Profit | 2,130,695 | 1,541,186 | 589,509 | 38.3 |
| Expenses (net of cost capitalization) | 1,939,484 | 1,833,421 | 106,063 | 5.8 |
| Other expense | 72,319 | 7,658 | 64,661 | 844.4 |
| Net income (loss) | 118,892 | (299,893) | 418,785 | (139.6) |

The increased use of CIM by existing customers and acquisition of new CIM customers generated the increase in revenue and gross profit. Management's belief is that the increase in operating expenses and continued reinvestment of Company resources will generate higher revenue and profit in future periods. In Q3 2023, the increase in revenue and gross profit resulted in the Company recording net income of \$118,892, a gain of \$418,785 over the net loss of \$ 299,893 in Q3 2022.

Nine months ended September 30, 2023, compared to nine months ended September 30, 2022
Revenue and Gross Profit

| | 9 Months 2023 | 9 Months 2022 | Change | |
|-----------------------|--------------------------|--------------------------|------------------|-------------|
| | \$ | \$ | \$ | % |
| CIM Revenue | 6,281,878 | 4,277,843 | 2,004,035 | 46.8 |
| IM Operations revenue | 1,188,556 | 421,410 | 767,146 | 182.0 |
| Total Revenue | 7,470,434 | 4,699,253 | 2,771,181 | 59.0 |
| Direct costs | 1,892,034 | 1,353,747 | 538,287 | 39.8 |
| Gross profit | 5,578,400 | 3,345,506 | 2,232,894 | 66.7 |
| Gross margin | 74.7% | 71.2% | 3.5% | 4.9 |

Revenue in 9M 2023 increased by \$2,771,181 or 59% over the comparative period. CIM revenue increased \$2,004,035 or 46.8% from the addition of four new customers and expanded CIM use by existing customers. IM Operations was acquired June 30, 2022, resulting in only Q3 2022 revenue being included in the 9M 2022 revenues. In 9M 2023, 9 months of revenue from IM Operations is included, generating the sales increase of \$767,146 or 182%. A portion of the increase in revenue this year was due to the U.S. to Canadian dollar exchange rate which augmented the revenue increase by \$325,360.

Gross profit increased by \$2,232,894 or 66.7% and gross margin improved to 74.7% of sales from 71.2%. The increase in revenue generated \$1,972,867 of gross profit and direct costs decreased as a percentage of revenue, resulting in additional contribution of \$260,027 in gross profit.

Operating expenses:

| | 9 Months 2023 | 9 Months 2022 | Change | |
|--|--------------------------|--------------------------|----------------|-------------|
| | \$ | \$ | \$ | % |
| Salaries and employee benefits | 4,387,510 | 3,926,692 | 460,818 | 11.7 |
| Sales and marketing | 914,196 | 766,201 | 147,995 | 19.3 |
| General and administration | 830,934 | 767,843 | 63,091 | 8.2 |
| | 6,132,640 | 5,460,736 | 671,904 | 12.3 |
| Salaries and employee benefits capitalized | (163,145) | (305,824) | 142,679 | 46.7 |
| Operating expenses, net of costs capitalized | 5,969,495 | 5,154,912 | 814,583 | 15.8 |

Salaries and employee benefits increased by \$460,818. Through the engagement of a fractional HR Director, the Company has added an average of one new employee each month for the last nineteen months. There has been a small amount of staff

turnover this year and the net new staff hires and selective wage adjustments have increased compensation expense by \$968,000. Higher accruals for incentive compensation increased expenses a further \$93,000. The allocation of staff salaries to direct costs for customer support and to marketing expense for CIM production trials increased by \$571,000, partially offsetting the aforementioned items.

Sales and marketing expenses increased \$147,995. The Company conducted more production trials and benefit analyses for potential customers in the current period, causing an increased allocation of staff time to marketing expense. The Company resumed in-person trade show attendance and customer and prospective customer meetings during the period, causing trade show and travel costs to increase. Web site enhancements and lead generation expenses decreased as this workload has now been transitioned to Company personnel instead of third parties. Incentive-based compensation directly related to production trials and closed sales decreased as variable compensation associated with these activities has been reduced.

General and administrative expenses increased by \$63,091. Expenses increased due to the engagement of a fractional HR Director and for a tax study concerning a South American country. Fees charged by auditors have increased significantly in the last year. Costs related to internal software use and the Company's insurance costs increased. Legal fees were \$90,000 lower this period than last year. A successful litigation action initiated by the Company concerning misuse of the Company's software IP concluded early in 2023, to the Company's benefit, and the legal expenses arising from the acquisition of IM Operation have not been repeated this year.

The Company is continuing to develop new products for its marketplace. Software development costs for the integration of C-FER Risk models into CIM, pipeline crack detection and external corrosion were recorded in 2023. In 2022, product development included those products and also internal corrosion into which approximately \$181,000 was invested. Internal corrosion was deemed to be commercially released at the end of 2022, thus capitalization costs for that product have ceased. Software development has also reduced in 2023 as more of the development resources have been addressing customer specific requests for software enhancements which do not qualify for capitalization.

Other expense (income)

| | 9 Months 2023 | 9 Months 2022 | Change | |
|--|------------------|------------------|----------------|-------------|
| | \$ | \$ | \$ | % |
| Stock based compensation | 556,672 | 518,161 | 38,511 | 7.4 |
| Amortization of intangible assets | 338,145 | 255,667 | 82,478 | 32.3 |
| Depreciation of property and equipment | 20,600 | 12,664 | 7,936 | 62.7 |
| Foreign exchange loss (gain) | 12,891 | (70,659) | 83,550 | (118.2) |
| Provincial innovation employment grant | (92,325) | (138,067) | 45,742 | 100 |
| Interest income | (97,985) | (39,350) | (58,635) | 149.0 |
| Income from settlement of legal action | (37,500) | - | (37,500) | 100.0 |
| | 700,498 | 538,416 | 162,082 | 30.1 |

Stock based compensation increased due to new options grants being made to directors, officers and new employees.

Amortization expense increased due to software development costs recorded last year now being amortized over the software's expected useful life.

The average Canadian to U.S. dollar exchange rate decreased in 2023 causing the Canadian dollar value of the Company's net U.S. dollar financial assets to decrease, generating the loss. The opposite effect happened in 2022.

The provincial innovation employment grant arose from the scientific research and development expenditures the Company made in the Province of Alberta, Canada in 2022. This figure is presented net of consultant's fees and a small allocation to capitalized product costs.

The Interest income increase is due to the increase in general interest rates.

In 2023, the Company settled an action it had commenced against Cylo Technologies Inc. and its principals. A payment received in the settlement is recorded as other income. OneSoft also achieved its objective of receiving the transfer of title from Cylo to the Company's OneBridge subsidiary of ownership and rights concerning a U.S. patent and a Canadian patent application.

Summarized Statement of Net Loss

| | 9 Months 2023 | 9 Months 2022 | Change | |
|---------------------------------------|--------------------|--------------------|------------------|---------------|
| | \$ | \$ | \$ | % |
| Revenue | 7,470,434 | 4,699,253 | 2,771,181 | 59.0 |
| Gross Profit | 5,578,400 | 3,345,506 | 2,232,894 | 66.7 |
| Expenses (net of cost capitalization) | (5,969,495) | (5,154,912) | 814,583 | 15.8 |
| Other expenses | (700,498) | (538,416) | 162,082 | 30.1 |
| Net loss | (1,091,593) | (2,347,822) | 1,256,229 | (53.5) |

The increase in revenue and gross profit more than offset the higher expenses and other expense (income) resulting in the net loss improving by \$1,256,229 or 53.5%. Management believes the investment of resources to hire additional staff for product development, and marketing and sales activities has facilitated business growth and improved revenue, gross profit, and cash flow in the current period and may similarly influence future periods.

FINANCIAL CONDITION & LIQUIDITY

| | 9 months 2023 | 9 months 2022 | Change | |
|---|------------------|------------------|------------------|--------------|
| | \$ | \$ | \$ | % |
| Net loss | (1,091,593) | (2,347,822) | 1,256,229 | (53.5) |
| Non-cash items: Stock-based compensation, amortization and depreciation and other items | 908,679 | 809,047 | 99,632 | 12.3 |
| Net loss adjusted for non-cash items | (182,914) | (1,538,775) | 1,355,861 | (88.1) |
| Working capital and deferred revenue changes | 112,537 | 900,042 | (787,505) | 87.5 |
| Cash flow used in operating activities | (70,377) | (638,733) | 568,356 | 89.0 |
| Exercise of stock options | 329,164 | 93,368 | 235,796 | 252.5 |
| Payment of acquisition price payable | (188,472) | - | (188,472) | (100.0) |
| Cash used in investing activities | (171,068) | (326,999) | 155,931 | 47.7 |
| Net change in cash | (100,753) | (872,364) | 771,611 | 88.5 |
| Effect of foreign exchange on cash | 15,486 | 63,583 | (48,097) | (75.6) |
| Cash, beginning of period | 4,391,942 | 5,509,469 | (1,117,527) | (20.3) |
| Cash, end of period | 4,306,675 | 4,700,688 | (394,013) | (8.4) |

In the nine-month period ended September 30, 2023, the Company's net loss, after adjustment for non-cash items, consumed \$182,914 cash, which was \$1,355,861 less than in the same period in 2022. The Company's re-investment of resources each year has resulted in continual growth of its revenue and gross profit, leading to this reduction.

Cash generated by working capital items and deferred revenue was \$112,537 in 2023, a reduction of \$787,505 from this period in 2022. In 9M 2023, the Company invested \$2.1 million into accounts receivable which was approximately \$1.2 million more than in 9M 2022 when \$850,000 was invested. Offsetting this cash consumption was cash generated from deferred revenue in 2023, which increased \$508,000 over the cash from this source in 2022. The Company notes it collected almost all of its accounts receivable outstanding on September 30, 2023 in October 2023 which significantly improved its cash balance on hand.

In total, operating activities consumed \$70,377 cash in 2023, an improvement of \$568,356 over the 2022 results for the same period.

In 2023, the exercise of stock options generated \$329,164 and installment payments of \$188,472 were made as scheduled to reduce the debt owed for the acquisition of IM Operations, of which the non-discounted amount of USD \$183,334 remains owing and is the only debt of the Company other than usual current liabilities incurred in the normal course of business.

In 9M 2023, the Company capitalized \$163,145 of salaries and employee benefits expenses as new product development. This was \$142,679 less than in the same period in 2022, as development teams focused on other priorities this year and internal corrosion management was commercially released in December 2022, ending its cost capitalization period.

During 9M 2023, on a net basis, the Company edged closer to a break-even cash flow, consuming cash of \$100,753 before foreign exchange adjustment, a reduction of \$771,611 from this period in 2022. Management believes that the Company is fully funded to continue its business plans as envisioned.

Total Assets

Total assets of the Company at September 30, 2023 were \$8,612,760, an increase of \$1,902,100 from assets of \$6,710,660 as at December 31, 2022. Cash decreased \$85,267 due to the cash flow used in operations in the period. Accounts receivable increased \$2,070,750 due to some large accounts extending their payment terms to 60 days for their new CIM contracts. Prepaid expenses

increased by \$91,618 as payments were made for the Company's insurance policies, upcoming trade shows, investor events and annual security commission fees which are amortized over the fiscal year. The carrying value of the Company's intangible assets and equipment decreased by \$175,000 due to amortization and depreciation of \$358,745 being greater than the capitalization of new product development costs of \$163,145 and new equipment and patent registrations of \$29,938.

Total Liabilities

Total liabilities increased to \$5,701,101 from \$3,624,792 as at December 31, 2022. Deferred revenue increased 97% or \$2,048,495, comprised of \$7,600,101 in new and renewed prepaid CIM contracts and it decreased by \$5,516,894 realized as earned revenue and by \$34,712 due to the decrease in the foreign exchange rate. The acquisition price payable for IM Operations was reduced by \$184,848, in accordance with agreed payment terms pursuant to the acquisition.

Commitment

The Company is committed to pay minimum royalties of US\$2.25 million for the use of certain embedded third-party intellectual property through December 20, 2027 based on the revenue earned from components of its CIM 3.0 solution. To September 30, 2023, royalties of US\$1.4 million have been expensed and US\$1.3 million has been paid.

Related party transactions

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

Key Management and Board remuneration consisted of the following:

| | 9 Months 2023 | 9 Months 2022 |
|---|------------------|------------------|
| | \$ | \$ |
| Salaries, benefits, management fees and directors' fees | 781,619 | 751,532 |
| Stock based compensation | 216,978 | 173,316 |
| Total | 998,597 | 924,848 |

Stock based compensation is the amount of expense recognized in the interim consolidated Statements of Comprehensive Loss relating to the identified key Management and directors. Included in accounts payable and accrued liabilities is \$5,000 (December 31, 2022 – \$204,313) due to key Management personnel.

SHARE DATA

On May 23, 2023, the Company adopted a new Omnibus Security Compensation Plan as approved by disinterested shareholders at the Company's Annual General and Special Meeting of the shareholders. The Plan allows for the granting of stock options on a rolling basis of up to 10% of the issued and outstanding shares of the Company and for Net Settlement of stock options whereby the optionee received the intrinsic value of the Stock option in Company shares valued at the volume-weighted average trading price of the Company's shares on the TSX Venture Exchange in the five days preceding the exercise. The Plan also allows for the granting of Performance Share Units, Deferred Share Units, Restricted Share Units and other forms of incentive stock compensation up to a fixed amount of 10% of the issued and outstanding shares of the Company. All outstanding stock options at the time of the adoption of the new Plan were automatically accepted into the new Plan.

As at October 31, 2023, the Company had outstanding:

- 122,031,256 common shares;
- 10,314,006 stock options with an average strike price of \$0.56 and an average remaining life of 2.9 years. Of these, 6,475,352 are exercisable at an average strike price of \$0.55. The number of options available under the Stock Option Plan for granting purposes was 1,889,120.
- 2,729,000 Restricted share units ("RSUs"). RSUs vest equally on the anniversary date of the grant over three years or over five years. RSUs are required to be exercised in the calendar year they vest.
- The Company has no warrants outstanding.

In Fiscal 2023 to September 30, 2023:

- 2,639,007 stock option were granted with an average strike price of \$0.63.
- 3,140,668 stock options were exercised at an average strike price of \$0.47. Of these, 688,167 options were exercised for an equal number of common shares generating \$329,163 proceeds and 2,452,051 stock options were exercised on a Net Exercise basis in exchange for 676,150 common shares and generating \$nil proceeds.
- 290,668 stock options with a weighted average price of \$0.48 were cancelled or forfeited.
- 300,000 Performance Share units were granted and cancelled as the Company and the employee agreed to replace them with RSUs.
- 2,679,000 RSUs have been granted.

RISKS AND UNCERTAINTIES

OneSoft is subject to business and economic risks. The reader is directed to page 17 of the [Management's Discussion and Analysis for the year ended December 31, 2022](#) for a full description of the risks and uncertainties that may affect the Company.

FINANCIAL INSTRUMENTS
Financial instruments

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

| | September 30, 2023 | December 31, 2022 |
|---------------------------------------|-----------------------|----------------------|
| | \$ | \$ |
| Cash and cash equivalents | 4,306,675 | 4,391,942 |
| Trade and other receivables | 2,363,298 | 292,548 |
| | <u>6,669,973</u> | <u>4,684,490</u> |
| Accounts payable and accrued expenses | 1,310,626 | 1,097,964 |
| Acquisition price payable | 238,364 | 423,312 |
| | <u>1,548,990</u> | <u>1,521,276</u> |

Financial instrument risks

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

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

The Company has a natural hedge to foreign exchange risk as much of its revenue and a large portion of its expenses are being transacted in foreign currency and the uncertainty of timing between collections and disbursements is managed by its ability to maintain cash balances in the currency and country of the Company's choice.

The Company had the following monetary assets and liabilities denominated in U.S. dollars included in its financial statements.

| | September 30, 2023 | December 31, 2022 |
|---------------------------------------|-----------------------|----------------------|
| | \$ (USD) | \$ (USD) |
| Cash and cash equivalents | 1,830,992 | 1,732,625 |
| Trade and other receivables | 1,736,412 | 208,070 |
| Accounts payable and accrued expenses | (607,899) | (440,672) |
| Acquisition price payable | (176,305) | (307,566) |
| Total exposure | <u>2,783,200</u> | <u>1,192,457</u> |

The following illustrates the sensitivity of profit and equity regarding the Company's financial assets and financial liabilities and the USD/CDN exchange rate. It assumes a +/-10% change of the \$/USD for the nine months ended September 30, 2023 (year ended December 31, 2022 +/-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 September 30, 2023 - 10% (December 31, 2022 - 10%) would have had the following applicable positive or negative impact on the net loss:

| | <u>Net (loss) income</u> |
|--------------------|--------------------------|
| | \$ |
| September 30, 2023 | 288,622 |
| December 31, 2022 | 65,768 |

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

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Company's objective in managing interest rate risk is to monitor expected volatility in interest rates while also minimizing the Company's financing expense levels. Interest rate risk arises from fluctuations in interest rates and the related impact on the return earned on cash and cash equivalents. On an ongoing basis, Management monitors changes in short term interest rates

and considers longer term forecasts to assess the potential cash flow impact to the Company. The Company holds financial instruments which exposes it to interest rate risk. No financial instruments are held to mitigate that risk. The following table illustrates the sensitivity of profit and equity to a reasonably possible change in interest rates of September 30, 2023 - +/- 1% (December 31, 2022: +/- 1%).

| | <u>Net (loss) income</u> |
|--------------------|---------------------------------|
| | \$ |
| September 30, 2023 | 23,477 |
| December 31, 2022 | 25,778 |

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:

| | September 30, 2023 | December 31, 2022 |
|---|-------------------------------|------------------------------|
| | \$ | \$ |
| Classes of financial assets - carrying amounts: | | |
| Cash and cash equivalents | 4,306,675 | 4,391,942 |
| Trade and other receivables | 2,363,298 | 292,548 |
| Carrying amount | <u>6,669,973</u> | <u>4,684,490</u> |

The Company continuously monitors potential defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The Company mitigates its credit risk by providing customers incentives to pay in advance or invoicing with short credit terms and actively collecting its accounts receivable. The Company is exposed to credit risk through its cash. Company policy forbids investment of cash and cash equivalents into any financial instrument where the principal may be at risk.

Customer accounts are closely monitored for the amount and age of balances outstanding. Due to its credit practices, the Company has recorded nominal bad debt expense over the last several years. The Company's customers primarily consist of very large pipeline operating companies that are of very good credit quality. The Company's Management considers its financial assets to be of very good credit quality and records an estimate of credit loss for any portion considered impaired.

The Company reviews its trade receivables regularly and an estimate of credit loss is recorded to reduce the accounts receivable to their expected realizable value when the account is determined not to be fully collectable. It is Management's view that amounts outstanding from customers have a low risk of not being collected.

The aging of accounts receivable was:

| | September 30 30, 2023 | | |
|------------------------|--------------------------------------|------------------------------------|------------------------------------|
| | Gross trade and other receivables | Allowance for doubtful accounts | Net trade and other receivables |
| | \$ | | \$ |
| Current | 1,727,897 | - | 1,727,897 |
| Past due 30 to 60 days | <u>635,401</u> | <u>-</u> | <u>635,401</u> |
| Total | <u>2,363,298</u> | <u>-</u> | <u>2,363,298</u> |
| | December 31, 2022 | | |
| | 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 | <u>29,919</u> | <u>-</u> | <u>29,919</u> |
| Total | <u>292,548</u> | <u>-</u> | <u>292,548</u> |

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 two cash payments of US\$91,666 on each of June 30, 2024, and 2025 and will be paid out of the Company's working capital generated from operations. The Company's financial liabilities are short-term in nature and payment is due within one year. Financial liabilities outstanding were September 30, 2023 - \$1,548,990 (December 31, 2022 - \$1,521,276).

The Company considers cash flows from financial assets totalling \$6,669,973 as at September 30, 2023 (December 31, 2022 - \$4,684,490) in assessing and managing liquidity risk. The Company's existing cash resources and trade receivables exceed its current cash outflow requirements. Cash flows from trade and other receivables are generally due within two months.

CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Revenue and deferred revenue

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

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. Judgment is required when determining when development is complete, the software may be commercially released and if incremental features and functionality will generate enough incremental revenue to warrant capitalization.

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

Determination of functional currency

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

Useful lives of depreciable assets

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

Stock-based compensation

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

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.

CHANGES IN ACCOUNTING POLICIES

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;

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. Adoption of this amendment had no effect on the Company's consolidated financial statements.

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. Adoption of these amendments had no effect on the Company's consolidated financial statements.

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.

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. Adoption of these amendments had no effect on the Company's consolidated financial statements.

MEASURES NOT IN ACCORDANCE WITH IFRS

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

| | Q3 2023 | Q3 2022 | 9M 2023 | 9M 2022 |
|-------------------------------|----------|-----------|-------------|-------------|
| | \$ | \$ | \$ | \$ |
| Net income (loss) | 118,892 | (299,893) | (1,091,593) | (2,347,822) |
| Add (subtract): | | | | |
| Depreciation and amortization | 114,531 | 91,112 | 358,745 | 268,331 |
| Stock based compensation | 108,179 | 132,168 | 556,672 | 518,161 |
| Interest income | (34,018) | (23,161) | (97,985) | (39,350) |
| Adjusted EBITDA | 307,584 | (99,774) | (274,161) | (1,600,680) |

ADVISORY REGARDING FORWARD LOOKING INFORMATION

This MD&A, the unaudited interim consolidated Financial Statements for the three and nine months ended September 30, 2023 and the audited consolidated Financial Statements for the years ended December 31, 2022 and December 31, 2021 (the "2023 Reporting Documents") contain historical information, descriptions of current circumstances and statements about potential future developments, anticipated financial results, and performance or achievements of the Company. Statements made regarding potential future developments, and anticipated financial results, performance or achievements of the Company are forward-looking statements and are presented to provide guidance to the reader but their accuracy depends on assumptions and are subject to various known and unknown risks and uncertainties. Forward-looking statements are included under the headings: "Highlights of Quarter ended September 30, 2023", "Q2 2023 Financial Metrics", "Sales & Marketing Activities", "Business Outlook", "Financial Condition & Liquidity", and "Risks and Uncertainties" and in other sections of this MD&A. When used in the

MD&A, such statements may contain such words as “may,” “will,” “intend,” “should,” “expect,” “believe,” “outlook,” “predict,” “remain,” “anticipate,” “estimate,” “potential,” “continue,” “plan,” “could,” “might,” “project,” “targeting” or the negative of these terms or other similar terminology. Forward looking information in the 2023 Reporting Documents includes, without limitation, statements regarding funding requirements. These statements are based on Management’s current expectations regarding future events and operating performance, are based on information currently available to Management, speak only as of the date of the 2023 Reporting Documents and are subject to risks described on page 16 of this MD&A and in the Company’s public filings on the Canadian Securities Administrators’ website at www.sedarplus.ca (“SEDAR+”) and as updated from time to time, and would include, but are not limited to the effects of the Covid-19 world pandemic and related effects on the North American global economy which may transmit to OneSoft Solutions, dependence on market economic conditions, the efficacy of the Company’s software products, sales and margin risk, acquisition and integration risks, competition, information system risks, risks associated with the introduction of new products, product design risk, environmental risks, customer and vendor risks, credit risks, currency risks, tax risks, risks of legislative changes, risks relating to remote operations, key executive risk and litigation risks. In addition, there are numerous risks associated with an investment in the Company’s common shares, which are also further described in the “Risks and Uncertainties” section in this MD&A, and as updated from time to time, the Company’s other public filings on SEDAR+. These risks and uncertainties may cause actual results to differ materially from those contained in the statements. Such statements reflect Management’s current views and are based on certain assumptions. Some of the key assumptions include but are not limited to: assumptions regarding the performance of the Canadian and the United States economies; interest rates; exchange rates; capital availability; the amount of the Company’s cash flow from operations; tax laws; laws and regulations relating to the protection of the environment; and capital spending requirements or planning in respect thereto, including but not limited to the performance of any such business and its operation. They are, by necessity, only estimates of future developments and actual developments may differ materially from these statements due to known and unknown factors. Investors are cautioned not to place undue reliance on these forward-looking statements. All forward-looking information in the 2023 Reporting Documents is qualified by these cautionary statements. Although the forward-looking information contained in these 2023 Reporting Documents is based upon what Management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. Certain statements included in the 2023 Reporting Documents may be considered “financial outlook” for purposes of applicable securities laws, and such financial outlook may not be appropriate for purposes other than these 2023 Reporting Documents.

The forward-looking statements contained in the 2023 Reporting Documents are made as of the date of this report and should not be relied upon as representing Management’s views as of any date after the date of this report. Except as required by applicable law, the Company undertakes no obligation to publicly update or otherwise revise any forward-looking statement, whether because of new information, future events, or otherwise.