ONESOFT SOLUTIONS INC.

2023

Q4

Management's Discussion & Analysis

Year ended December 31, 2023

This Management's Discussion and Analysis ("MD&A") is dated March 26, 2024.

INTRODUCTION

This MD&A of the results of operations, cash flows and financial position as at and for the year ended December 31, 2023 should be read in conjunction with the audited consolidated financial statements and notes thereto for the years ended December 31, 2023 and 2022. 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.

The financial statements and additional Company information are available to view on www.sedar+.ca. References in this MD&A to "OneSoft", the "Company" and "OSS", mean OneSoft Solutions Inc. and its subsidiaries, unless the context otherwise suggests.

OneSoft's shares trade on the TSX Venture Exchange in Canada ("**TSXV**"), under the symbol "OSS", and are listed on the OTCQB market in the USA under the symbol "OSSIF".

This MD&A contains forward-looking information based on certain expectations, projections, and assumptions. This information is subject to 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 19 of this document and to the "Advisory Regarding Forward Looking Information" on page 27.

NON-IFRS MEASUREMENTS

The Company defines Adjusted EBITDA as earnings before interest, income taxes, stock option expense, depreciation, amortization, and impairment charges. Readers are cautioned that Adjusted EBITDA should not be construed as an alternative to net income or loss as determined in accordance with IFRS. A table on page 27 reconciles Adjusted EBITDA with net 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.

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
- "**Q4 2022"** means the three-month period October 1, 2022 through December 31, 2022
- "**Q4 2023"** means the three-month period October 1, 2023 through December 31, 2023

"**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 technology 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 (irrespective of the multiple data schemas used by different ILI vendors over decades), normalizes, 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 ILI data sets. Typically only two ILI datasets are analyzed with legacy processes, (i.e., the most current and next most current ILI datasets) and such analytics are extrapolated to the remainder of the pipeline, yielding only approximated results. 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, by leveraging cloud computing capacity to handle big data, machine learning and data science, 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 software module that addresses the core operational logistics and regulatory compliance functions that pipeline operators typically perform to operate their pipelines. CIM Core functionality includes: ILI Management; Assessment Planning; Dig Management (including selection of PIG vendor and management of excavations, inspections and repairs); Threat Monitoring; GIS Data Correlation; Logistical System and Process Management Systems; and extensive Reporting and Data Visualization functions.

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

  CIM Core's capability to store and align disparate data allows holistic integration of departmental operations and enables 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, thereby encompassing 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 multiple 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 recently released 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. This module is 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 and Bending Strain**" means the software module currently being researched and developed 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 identified private preview users to provide input and feedback to assist in development efforts for the MVP of Geohazard Strain functionality, wherein failure threats due to pipeline movement within the ground can potentially be monitored and mitigated using IMU data collected by PIGs. When 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 fees are charged using the Company's SaaS deployment model to access and use software functionality as new modules are developed and released, which are invoiced to customers on either a fixed monthly or annual basis and / or as a variable fee based on the quantity of data being ingested and managed by CIM.

"**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. in June, 2022. Assets acquired include software technology, rights to current and prospective customers and a highly experienced team of employees with deep domain expertise and customer relationships. During the past two decades IM Operations provided pipeline integrity quantitative and probabilistic risk assessments and risk management studies of pipelines in high consequence areas, using its proprietary RIPL and RiskCat software solutions, augmented with consulting services. On-premise software was also licensed to customers for their use and charged annual fees for technical support and software maintenance and updates as they become available. OneBridge assumed operational control of IM Operations effective July 1, 2022. The Company intends to convert on-premise RIPL software to integrate with its CIM SaaS platform and incorporate algorithms to replace manual services where possible, to grow higher margin associated revenues.

"**IMU**" means Inertial Mapping Unit device. Running an IMU device as part of an ILI survey is becoming routine practice for many pipeline operators. The IMU provides a synchronized stream of mapping information which, when aligned with ILI data, locates pipeline anomalies, features, fittings and movement within the earth that can be caused by geological and other factors such as floods or fires.

"**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 framework developed by the American Institute of Certified Public Accountants for software service organizations. OneSoft has applied this standard with a focus on security, availability and confidentiality. Certification of compliance with SOC 2 is intended to meet the demands of customers who seek detailed information and assurance about internal controls prior to their approval of CIM for their internal use and uploading of their confidential data into it. A SOC 2 Type I Certification report describes the security rules a company follows but does not judge its effectiveness. SOC 2 Type 2 certification, which OneSoft obtained, is more comprehensive in that it analyzes the company's rules and policies for security and service and also evaluates a company's adherence to the stated security processes and practices during a period of three to 12 months.

"**SME**" means subject matter expert.

OVERVIEW

OneSoft Solutions Inc. is an innovative and 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 optimize big data management through the use of 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 situated worldwide which, in conjunction with OneSoft's technology and products, provide the utmost in data security and analytics for customers.

FINANCIAL SUMMARY

Selected Annual Information

(In $000's, per share amount in Cdn $)

	Year ended December 31:		
	2023	**2022**	**2021**
	$	**$**	**$**
Revenue	**10,392**	**6,889**	**4,442**
Net loss	**(1,367)**	**(2,972)**	**(3,889)**
Other comprehensive income (loss)	70	(48)	28
Comprehensive loss	**(1,297)**	**(3,020)**	**(3,861)**
Basic and fully diluted loss per share	**(0.01)**	**(0.02)**	**(0.03)**
Cash and short-term investments	4,854	4,392	5,509
Net change in cash and cash equivalents (1)	455	(1,192)	(1,746)
Total assets	7,142	6,711	6,901
Long term liabilities	116	233	302

(1) OneSoft Solutions Inc. Consolidated Financial Statements - December 31, 2023 – Consolidated Statement of Cash Flows

FISCAL 2023 OPERATIONAL HIGHLIGHTS

Fiscal 2023 Financial Metrics

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

	Three months ended:		Year ended:	
OneSoft SaaS Metrics	**Q4 2023**	**Q4 2022**	**2023**	**2022**
Revenue as reported in the Financial Statements	$ 2,921,578	$ 2,189,319	$ 10,392,011	$ 6,888,572
Revenue categorization:				
Annual Recurring Revenue ("ARR")	$ 2,211,410	$ 1,719,047	$ 8,253,821	$ 5,739,727
Other Revenue	$ 710,168	$ 470,272	$ 2,138,190	$ 1,148,845
Total Revenue	$ 2,921,578	$ 2,189,319	$ 10,392,011	$ 6,888,572
Direct Costs	$ 662,576	$ 624,381	$ 2,554,611	$ 1,978,129
Gross Profit	$ 2,259,002	$ 1,564,938	$ 7,837,400	$ 4,910,443
Direct Costs as % of Total Revenue	23%	29%	25%	29%
Gross Profit as % of Total Revenue	77%	71%	75%	71%
Net loss	$ (275,474)	$ (624,332)	$ (1,367,068)	$ (2,972,154)

In Fiscal 2023:

- Revenue for Fiscal 2023 was $10.4 million, a 51% or $3.5 million increase over Fiscal 2022, driven by CIM associated revenue which increased $2.7 million or 44% year over year.
- Gross profit for Fiscal 2023 increased 60% from $4.9 million to $7.8 million. Gross margin increased to 75.4% from 71.3% as is explained later in this report.
- The net loss improved by $1.6 million from $3.0 million in Fiscal 2022 to $1.4 million in Fiscal 2023.
- Adjusted EBITDA, a Non-GAAP measure reconciled to the net loss on page 27, improved from a loss of $2.0 million in Fiscal 2022 to a "near-breakeven" loss of $0.1 million in Fiscal 2023.
- Cash and cash equivalents increased by $0.5 million in Fiscal 2023, an improvement from Fiscal 2022 where these assets decreased by $1.2 million in Fiscal 2022.

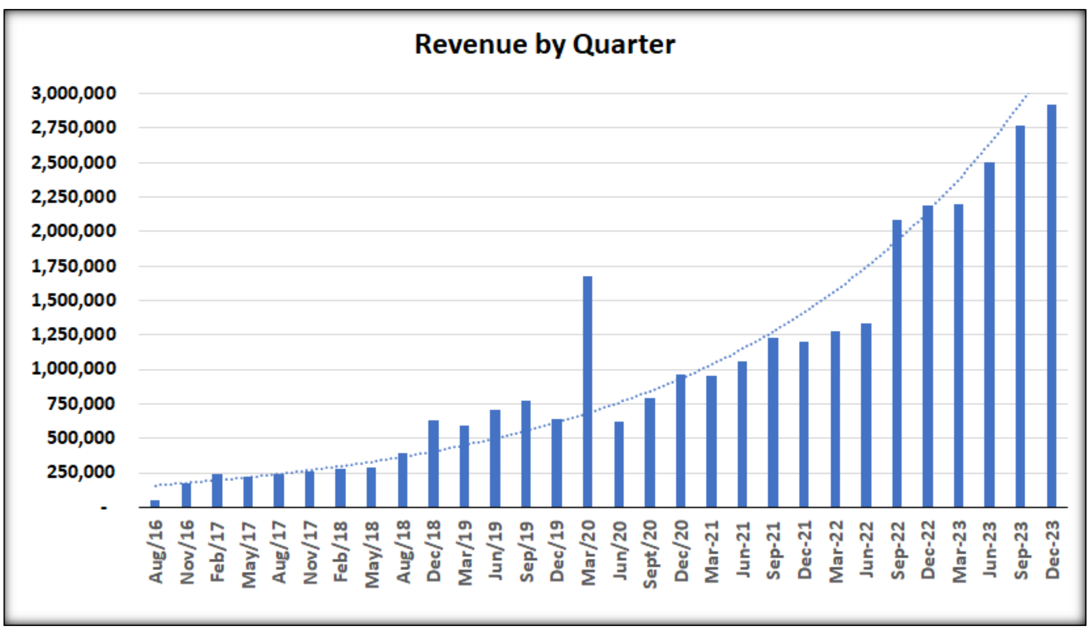
Fourth Quarter 2023

- Revenue in Q4 2023 increased over Q4 2022 by 33.4% or $0.7 million to $2.9 million, comprised of an increase of $0.7 million from CIM revenue.
- Gross profit increased 44.4% or $0.7 million in Q4 2023 from Q4 2022.
- The net loss improved by $0.3 million from $0.6 million in Q4 2022 to $0.3 million in Q4 2023. Adjusted EBITDA (see page 27) improved by $0.52 million or 149% from a loss of $0.36 million in Q4 2022 to positive $0.16 million in Q4 2023.

These results are explained in greater detail later in this report.

Quarterly Revenue

The chart below shows revenue for the past thirty quarters (7.5 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.



CIM Use and Revenue Generating Data-miles

The table below estimates the aggregate pipeline miles operated by all customers, miles of customers' pipeline assets that are subject to multi-year SaaS agreements and miles of pipeline data ingested into our CIM platform on which revenue is earned ("data-miles"). As these figures are subject to constant changes, we caution that information in this table should only be viewed as approximations, as a snapshot in time.

CIM Use & Revenue Generating Data-miles*	Fiscal 2022	Fiscal 2023 (Guidance)	Fiscal 2023
Pipeline miles Operated by Customers	165,723	-	260,743
Pipeline miles on SaaS subscription	98,839	151,195	134,764
Pipeline miles generating revenue	53,483	65,697	90,158
% of subscription miles generating revenue	*54%*	*43%*	*67%*
SaaS Revenue per Mile for Revenue Generating Miles (1)	*$ 105*	*$ 131*	*$ 130*

1: The revenue per mile for revenue generating miles includes CIM revenue only and excludes IM Operations revenue, Cdn $.

Notes regarding above table:

- "Pipeline Miles Generating Revenue" estimates the cumulative data-miles ingested into CIM that were revenue generating as at the end of each year.
- "% of Subscription Miles Generating Revenue" is "Pipeline Miles Generating Revenue" divided by "Pipeline Miles on SaaS Subscription.
- "SaaS Revenue per mile for Revenue Generating Miles" is the calculation of total CIM SaaS (excluding services and other) revenue divided by Pipeline Miles Generating Revenue. This calculation is only an approximation, as the revenue per data-mile figure will only be accurate when all customers' miles become revenue generating for the entire fiscal year and is subject to fluctuation due to customer pipeline maintenance schedules. Management uses this revenue per mile figure as a metric for trending analysis.

Fiscal 2023 Operational Update

In October, the Company hosted its first annual user group event at the Microsoft Executive Center in Houston. Based on customer feedback, Management believes that customers are highly referenceable and that peer-to-peer positive comments in the pipeline integrity community are highly supportive of OneSoft's reputation and business. We believe there is a very good probability that our customer retention will continue to be near 100% unless a OneBridge customer is acquired by another pipeline operator who mandates adoption of its own integrity management processes. As of the date of this report, we know of no customer that intends to stop using our solutions.

Management estimates that the CIM platform is currently being used for approximately 20% of the piggable pipeline infrastructure in the U.S.A. – i.e., approximately 135,000 of 642,000 piggable pipeline miles are now under multi-year SaaS agreements with OneBridge. The balance of piggable miles is currently managed using legacy systems and processes and, with no known competing cloud solution, we believe this represents significant future opportunity for the Company.

Management is optimistic that new functionality modules that integrate with the CIM platform, including Internal Corrosion Management ("**ICM**"), External Corrosion Management ("**ECM**"), Crack Management ("**CM**"), Probabilistic Risk Management ("**RM**") and Geohazard Strain Management ("**GS**") will be embraced by current and future customers. Certain customers have already added ICM to their annual SaaS renewal purchase orders and others have engaged as private preview users of the modules still under development. Management's optimism is bolstered by expressions of interest from customers and from the formalized steering committee initiated at the October 2023 user group event, comprised of senior industry personnel whose roles generally direct integrity management functions and control the associated budgets.

Management is pleased with the continued evolution of internal operational processes that occurred during Fiscal 2023, including those that optimize efficiencies pertaining to sales, marketing, client support, product development, financial and corporate initiatives. In 2023, the Company's marketing team updated marketing collateral to align with our evolving technology and product development and adopted new taglines "*Where Data and Integrity Converge*", "*Integrity Management made smarter*" and "*Visualize. Predict. Mitigate.*" Sales, marketing and customer support materials and processes have been organized within "Wiki" libraries, to document and share knowledge and improve operational and cost efficiencies. New marketing software was implemented to capture data that assists our employees to better understand and serve our stakeholders, including metrics regarding website visitors, unique contacts, blog views, email outreach and gated downloads that track visitors who view white paper and informational videos posted on our website. The Company's sales, development and customer support teams were reorganized in Fiscal 2023 to support additional marketing and sales strategies in Fiscal 2024 using new and existing customer success plans and strategic prospect playbooks.

The Company attended several key O&G industry tradeshow and exhibition events during Fiscal 2023, including the Pipeline Pigging and Integrity Management ("**PPIM**"), the American Gas Association ("**AGA**") conference and biennial exhibition, the Pipeline Technology Conference in Berlin, Germany, and the annual Banff Pipeline Conference and participated in industry educational events wherein Company personnel presented white paper research learnings. Additionally, OneBridge hosted its first annual User Group Conference, in collaboration with the Microsoft team that focuses on O&G customers. Microsoft considers OneBridge to be a "managed partner" and some of its O&G sales team members continue to collaborate with OneBridge personnel to pursue joint sales opportunities involving our CIM platform and Microsoft's Azure cloud platform.

Use of the CIM platform by customers increased essentially in accordance with Management's expectations during Fiscal 2023, with higher pipeline miles operated by customers and miles under SaaS subscriptions driving revenue. OneBridge onboarded five additional pipeline operators during Fiscal 2023, who became new CIM users due to direct sales efforts or after being acquired by existing CIM customers. Some customers expanded their use of the CIM platform to include ICM and other new functionality modules, a trend we believe will generate additional revenue in future periods.

The Company's development team consisted of 21 employees and a 7-person offshore team as at the end of Fiscal 2023. This team released 6 major CIM platform updates during the year, evolved the ICM, ECM, CM, RM and GS functionality modules, evolved various data science and machine learning projects and assisted customer service and implementation teams to onboard five new pipeline operators during Fiscal 2023. One new customer presented an atypical challenge, requiring more than 18,000 pipeline data miles to be ingested into CIM, "going live" with the CIM platform within a 6-month period (which was essentially completed in early 2024), and customizing various integrations between CIM and the customer's internal systems. During Fiscal 2023, this team also addressed 221 User Stories, 180 Bugs and 2,496 commitments for customers and upgraded the CIM platform to .NET 6 status.

The Company's client services team addressed 17 projects during Fiscal 2023, primarily involving 6 clients and 5 core CIM platform implementations, collectively involving 15 divisional operators and more than 700 pipeline systems. Projects included work associated with integrity management and compliance, geographic information system ("**GIS**") integrations, loading of more than 3,700 ILI assessments and 67 million anomalies into CIM, migrating data from legacy systems into CIM, integrating with various customer software applications and training.

The Company's employee roster continued to increase with 20 new hires completed during the past 20 months and employee retention remaining high. Development staff trained in new Microsoft technologies and systems during Fiscal 2023 and this, together with our new customer additions, resulted in the Company earning the Microsoft Solutions Partner designation for "Digital and App Innovation (Azure)". This provides the Company access to accelerated support and discounted or free internal user rights for a wide swath of Microsoft products.

SOC 2 Type 2 Certification

Because our solutions store customer data in the cloud, Management believes it is mandatory to demonstrate its commitment to security by seeking SOC 2 certification. The Company invested early in the initiative in Fiscal 2022. Certification was achieved following a rigorous preparation process involving numerous hours of staff time followed by an independent audit performed by a third-party CPA firm and the issuance of SOC 2 Type 2 certification, outlining the auditor's opinion of the suitability of OneSoft's design and operating effectiveness of internal controls associated with security, confidentiality and SaaS system availability. The opinion included confirmation that OneBridge achieved its service commitments and system requirement procedures in 2022. The certification status was renewed in 2023 following an audit performed by a third-part CPA firm skilled in SOC 2 auditing.

OneSoft's SOC 2 Type 2 certification provides assurances to Company stakeholders that our information security measures can withstand the challenging requirements of today's cloud computing environments and provides assurance that we are able to secure sensitive information. Data security is highly important for our customers and compliance with this operational standard is recognized in the industry as a mandatory or preferred practice to maximize information security management and mitigate potential data breaches. In achieving SOC 2 Type 2 status, OneSoft has raised the bar for all information technology and software vendors who service pipeline companies and also serves as another positive differentiator for the Company and its SaaS solutions.

Update Regarding Estimated Addressable Market for OneSoft SaaS Solutions

The Company last published its estimates of total addressable market ("**TAM**") in its MD&A for fiscal year ended December 31, 2020. The following tables provide updated estimates of potential TAM, which reflect the Company's current SaaS development roadmap and priorities expressed by our customers.

USA Mileage estimates were updated in H2 2023 based on 2022 U.S.A. mileage figures as published by the Pipelines and Hazardous Materials Safety Association ("**PHMSA**"), the U.S. regulator for O&G gas pipeline operators. There are approximately 3 million miles of liquid and gas pipelines in the U.S.A., as shown in the following charts.

Management has made certain assumptions in determining its TAM estimates, including evaluations of the various segments of pipelines that are believed to represent addressable markets for the Company's current and planned SaaS products/modules and input from customers and prospective customers that is considered for planning of the Company's technology development roadmap.

This data has been researched and compiled to assist Management to determine the Company's go-forward strategies. Readers are cautioned that estimated TAM figures are not meant to project revenue for the Company; rather, TAM figures potentially represent Management's estimate of 100% of the potential market opportunity for the various SaaS products/modules listed.

Liquid and Gas Pipeline Mileage (2022 data) as reported by PHMSA

System Type (2022) - Liquid	Miles	System Type (2022) - Gas	Miles
Biofuel	18	Gas Distribution (Main Miles)	1,356,332
CO2	5,385	Gas Distribution (Service Miles)	965,165
Crude Oil	84,389	Gas Gathering	112,034
Highly Volatile Liquids (HVL) Flamm Toxic	75,456	Gas Transmission	300,797
Refined Petroleum Products (PP)	64,082	Grand Total	2,734,328
Grand Total	229,331		

TAM Estimate by OneSoft Management

Oil & Gas - Estimated Total Addressable Market (TAM) USA, Rest of World & Global						
	Est USA % of Global Infrastructure			*60%*	*40%*	*100%*
SaaS Product/Module	Product/Market Status	USA Applicable Mileage [1]	Rate (US$)	TAM USA (US$)	TAM Rest of World (US$)	TAM Global (US$)
Core CIM	Developed	642,162	100	64,216,200	42,810,800	107,027,000
Internal Corrosion (Chemical) [2]	Developed/Early	642,162	15	9,632,430	6,421,620	16,054,050
Crack (PCFA)	Developed/Early	642,162	5	3,210,810	2,140,540	5,351,350
External Corrosion - CIS/CP/ACVG/DCVG [3]	Under Development/Mature	1,113,424	25	27,835,593	18,557,062	46,392,656
Risk	Under Development/Mature	1,886,460	25	47,161,500	31,441,000	78,602,500
Geohazard	Under Development/Early	642,162	10	6,421,620	4,281,080	10,702,700
ML/AI Application (Data Augmentation)	Under Development/Early	1,886,460	10	18,864,600	12,576,400	31,441,000
Mobile (Field Submission)	Potential	1,886,460	10	18,864,600	12,576,400	31,441,000
Acoustics	Potential	229,331	10	2,293,310	1,528,873	3,822,183
Facilities [4]	Potential	500	50,000	25,000,000	16,666,667	41,666,667
Asset Mgmt	Potential	1,886,460	10	18,864,600	12,576,400	31,441,000
				$ 242,365,263	$ 161,576,842	$ 403,942,106

[1] PHMSA source data 2022. Data Source: US DOT Pipeline and Hazardous Materials Safety Administration. Portal Data t /17/2023. Excludes Type R Gas Gathering.
[2] Internal Corrosion includes liquid and gas gathering and transmission as well as some facilities.
[3] External Corrosion includes liquid and gas gathering, transmission pipelines as well as Steel Cathodically Protected (CP) and Steel Cathodically Protected (CP) bare Gas Distribution pipelines.
[4] Facilities includes, refineries, tank farms, chemical and other downstream facilities.

Notes:

- The SaaS product/Modules column describes the development projects that comprise the Company's technology development roadmap.
- The Product/Market Status column reflects the modules considered developed and commercialized, under development and potential functionality that may or may not be developed in the future as well as current market maturity.
- The Rate Column reflects Management's estimate of potential revenue that may be generated from the product/module. Rate estimates are based on preliminary market research the Company has conducted regarding costs that competing solution vendors may charge for similar functionality and input from OneBridge customers.
- TAM USA represents the calculation of USA Mileage multiplied by the Rate.
- TAM Rest of World is calculated on the assumption that U.S. O&G pipeline asset infrastructure comprises approximately 60% of global infrastructure, which percentage figure is estimated by Management based on discussions with customers and anecdotal industry estimates.
- TAM Global column is the sum of TAM USA and TAM Rest of World.

Fiscal 2023 Corporate Update

Management attended several in-person investor events in Canada and U.S.A during Fiscal 2023 and hosted numerous one-on-one meetings with current and prospective shareholders of OneSoft. The Company renewed the appointment of Sophic Capital Inc. to provide investor relations and capital markets advisory services for Fiscal 2024.

In Fiscal 2022, the OneSoft Board of Directors and Management took steps to review and implement succession plans for the Company's senior executive management team and Board of Directors, which initiatives are ongoing. Two individuals relinquished their roles as Directors in 2023 and one new Director has been appointed to date.

During Fiscal 2023, Management and Directors continued to consider alternatives that can potentially advance the Company, including pursuit of organic revenue growth initiative and M&A scenarios that might further accelerate Company advancement and revenue growth, with the overall objectives of increasing shareholder value and positioning the Company to better serve all its stakeholders.

FISCAL 2024 FINANCIAL GUIDANCE

The Company published its Fiscal 2023 financial guidance on January 25, 2023. The following table reflects the actual results for Fiscal 2023 compared to the guidance, as well as the Fiscal 2024 financial guidance published on February 20, 2024.

Fiscal 2023 Guidance compared to Fiscal 2023 Results and Fiscal 2024 Guidance ($ 000's except percentages)	Fiscal 2023 Guidance (Published January 25, 2023, Unaudited)	Actual Fiscal 2023 Results	*Fiscal 2024 Guidance (Estimated range, Unaudited)*
Revenue	$ 10,104	$ 10,392	$15,000 to $16,000
Gross Margin (% of Revenue)	*75%*	*75%*	*75%*
Net Loss	$ (1,297)	$ (1,367)	$(435) to $(178)
Add (subtract)			
Depreciation and amortization	$ 564	$ 473	$465
Stock Compensation	$ 813	$ 928	$1,775
Interest Income	$ (108)	$ (146)	$(155)
Adjusted EBITDA [1]	$ (28)	$ (111)	$1,650 to $1,900
Cash	$ 4,040	$ 4,854	$4,700 to $5,000
Deferred Revenue	$ 1,815	$ 2,366	$2,900

[1] *Adjusted EBITDA, a non-GAAP measure, is defined by the Company as net loss before interest, income taxes. stock compensation expense, depreciation and amortization charges*

Notes regarding 2024 Guidance:

- Fiscal 2024 revenue is estimated to be in the range of $15 million to $16 million, representing a 44% to 54% increase, respectively, over Fiscal 2023 revenue. Because the Company invoices most of its revenue and incurs a significant portion of its costs in U.S. dollars, changes in the U.S. to Canadian dollar exchange rate ("FX Rate") can potentially materially affect financial performance. Management's assumptions regarding FX Rates for 2024 are influenced by the reviews of 2024 FX Rate forecasts as recently published by RBC Capital Markets, TD Bank, CIBC and Scotia Bank, which range quarterly during 2024 between 1.28 and 1.37. The FX Rate for OneSoft averaged 1.35 for Fiscal 2023. Higher FX Rates would increase top line revenue, net income and Adjusted EBITDA and positively influence cash and deferred revenue; conversely, a lower FX Rate would create negative impacts to these metrics.

- Approximately 81% of forecasted revenue for Fiscal 2024 is expected to come from existing customers, reflecting their projected consumption of CIM and associated services. The remaining 19% of revenue is expected to be derived from new sales to prospective customers which the Company anticipates will close in 2024.

- Potential risks to these revenue projections are unforeseen factors that might negatively affect our customers' and prospects' decisions to purchase our solutions, such as regulatory changes that reduce pipeline operators' urgency to adopt new technologies or changes in economic conditions that might affect pipeline industry operations. Such events may reduce industry spending, resulting in delays to expected adoption of our solutions by prospective customers, new SaaS modules of OneBridge (a wholly owned subsidiary of OneSoft) not selling as expected and a reduction of expected CIM usage by current customers. Because the Company reports in Canadian dollars, volatility in the FX Rate may affect financial results, possibly to material amounts.

- Fiscal 2024 forecasts of Gross Margin, Net Income, Adjusted EBITDA, Cash and Deferred Revenue figures are based on the Company's operating budget as at the date of this press release. The budgeted cash balance may vary materially if certain scenarios not currently anticipated occur during 2024, including but not limited to: (i) revenue, deferred revenue and cash collections not materializing as anticipated; (ii) unplanned expenditures; (iii) the Company's current business plan being changed during the year; and/or (iv) the Company completing a material transaction such as an M&A transaction during the year. At this point in time, Management does not anticipate any requirement to raise additional capital in Fiscal 2024 if no such unforeseen events occur.

- Management expects that the Company's past experience regarding historic deferred revenue patterns will continue as anticipated in Fiscal 2024. However, deferred revenue may vary materially due to timing of cash receipts and CIM utilization by customers and is also dependent upon achieving planned revenue and closing of sales to new customers during 2024 as anticipated.

FISCAL 2024 OUTLOOK

Fiscal 2023 was a pivotal year for OneSoft, with the Company achieving its key objectives of: (a) exceeding $10 million revenue; (b) achieving near zero adjusted EBITDA for the year; and (c) gaining more traction to become the next generation data management and analytics platform for the O&G pipeline industry. Management believes the Company has securely crossed the new technology adoption chasm wherein its technology and solutions have been strongly validated by industry innovators and visionary early adopters. The Company's 2024 objectives include completing the new functionality modules currently under development, integrating them into the CIM platform and advancing its role as the sole SaaS vendor to fulfill customers' functionality requirements regarding data management and analytics. Recent new customer acquisitions confirm that the Company has successfully progressed to attract more pragmatic customers, who are conservative in their adoption of new technology and represent the majority of opportunities in the marketplace.

The Company is also investigating alternatives to accelerate revenue growth and business development, potentially through synergistic M&A activities. Management is optimistic that OneSoft is well positioned to capitalize on its first mover technology advantage to deliver enhanced benefits to customers and increase value for shareholders.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

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

Our Board of Directors adheres to strong corporate governance practices. It has adopted a Board of Directors Mandate, Board committee charters, and other policies to ensure it has a progressive corporate governance framework. Information about shareholder rights and executive compensation can be found in our most recent publicly filed information circular/proxy statement. Three of four members of OneSoft's Board of Directors are independent, one has professional corporate director certification, three have professional designations and the Company maintains and has implemented policies on Whistle Blowing, Code of Conduct and Business Ethics, Disclosure, Diversity and Inclusion and Corruption of Foreign Officials. Our Board of Directors oversees our ESG program and exercises risk oversight over corporate governance, cybersecurity and compensation.

OneSoft's products are designed to assist pipeline companies to achieve their common objective of zero failures, protect the environment, save lives and reduce operating costs. OneSoft extends the same concern for the environment into its daily practices. Since reorganizing the Company in 2014 to pursue cloud computing opportunities, employees have worked from home offices, which reduces the carbon footprint caused by commuting to and maintaining a common workplace. The Company provides personal computers for employees' use but does not own it's own computer servers that need constant replacement due to technology obsolescence, and instead uses Microsoft's cloud computing platform which is more efficient and requires less energy, power and equipment resources. The distributed nature of our workforce results in more reliance on electronic documents and filing systems, while reducing the need for paper document production and storage. Using modern communication systems such as Microsoft Teams, the Company, where possible, attempts to reduces business travel to reduce the Company's environmental impact.

OneSoft is mindful of social issues and has workplace policies that foster an informed, egalitarian and productive employee team. Our Employee Handbook contains policies on diversity, inclusion and equity, harassment and discrimination, personal conduct and cyber security. Employees and contractors are provided fair and competitive rates of pay and employee benefits packages and staff are actively encouraged to fully consume vacations and personal days off as allowed by policy to maintain appropriate work/ life balance. Employee turnover since 2014 has been low, which signals that OneSoft provides a workplace that personnel enjoy contributing to and being a part of. The Board and Management intend to continue to stress and influence good corporate and community citizenship by influencing all Company personnel and by taking appropriate actions as required.

Energy companies and people world-wide are generally paying more attention to threats caused by climate change and the environment. The Company, through commercial deployment of its solutions, effectively contributes to mitigation of these threats in two ways. Firstly, the Company's CIM solution plays what we believe is a significant role in assisting our clients to reduce or eliminate pipeline failures. Our first commercial client, Phillips 66, was awarded a well-earned recognition for achieving their objective of zero pipeline failures for two consecutive years, a notable achievement to which CIM contributed. Secondly, the Company will continue to play an important role in mitigation of threats to pipeline assets into the foreseeable future, regardless of whether pipelines transport oil and gas as they do today, or whether they will be re-purposed to transport hydrogen or other green fuels at some point in the future. We believe that despite the advancements being made to develop and implement viable alternative energy sources, the world will still need to rely on oil and gas for decades to come, and therefore OneSoft's contributions to protect the environment will continue for the O&G industry and will be adapted to future energy technologies as changes are made.

OneSoft holds itself to the highest standards of trust and security. Pipeline operators in North America and Australia have leveraged our software programs to store their highly sensitive pipeline assessment data and to perform time-critical analyses to keep their pipelines safe while operating them at optimal capacities. We are committed to maintaining data privacy, and system security and availability that pipeline operators have come to expect and trust. All employees are trained on matters of security, privacy and ethics. We have ongoing security awareness programs tailored to our employees as well as training that employees are required to complete. OneSoft's Code of Conduct reflects our commitment to ethical business practices, including safeguarding customer and user information, and applies it to all employees.

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

RESULTS OF OPERATIONS

SUMMARY OF QUARTERLY RESULTS

Quarter ended	FY 2023				FY 2022			
($ 000's, per Share in Dollars)	Dec 31	Sept 30	Jun 30	Mar 31	Dec 31	Sept 30	Jun 30	Mar 31
Revenue	2,921	2,770	2,500	2,200	2,189	2,085	1,334	1,280
Gross profit	2,259	2,131	1,896	1,551	1,565	1,541	907	897
Operating expenses (net of software development costs capitalized)	2,033	1,939	2,103	1,921	1,906	1,833	1,649	1,672
Net (loss) income	(275)	119	(558)	(652)	(624)	(300)	(984)	(1,064)
Basic and diluted loss per share:	-	-	-	(0.01)	-	-	(0.01)	(0.01)

Year ended December 31, 2023, compared to year ended December 31, 2022

Revenue and Gross Profit

	December 31, 2023 $	December 31, 2022 $	Change $	%
CIM revenue	8,734,214	6,051,939	2,682,275	44.3
IM Operations revenue	1,657,797	836,633	821,164	98.2
Total Revenue	**10,392,011**	**6,888,572**	**3,503,439**	50.9
Direct costs				
Cloud platform hosting fees	614,745	506,287	108,458	21.4
Royalty expense	680,422	648,827	31,595	4.9
Salaries and benefits and Other	1,259,444	823,015	436,429	53.0
Total Direct costs	**2,554,611**	**1,978,129**	**576,482**	**29.1**
Gross profit	**7,837,400**	**4,910,443**	**2,926,957**	**59.6**
Gross margin	75.4%	71.3%	4.1	5.8

Analysis of change in total revenue:

New CIM customers contracted in 2023	$ 781,878
Increase in CIM revenue from customers contracted prior to 2023	1,979,439
Increase in revenue from IM Group acquired June 30, 2022	784,470
Decrease in CIM revenue from other customers	(362,332)
Foreign exchange effect, year over year	319,984
Increase in revenue	**$ 3,503,439**

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Operating expenses:

	Year ended:			
	December 31, 2023	December 31, 2022	Change	
	$	$	$	%
Salaries and employee benefits	5,902,577	5,397,676	504,901	9.4
Sales and marketing	1,225,571	1,007,731	217,840	21.6
General and administration	1,110,408	1,046,482	63,926	6.1
	8,238,556	**7,451,889**	**786,667**	**10.6**
Software development costs capitalized	(222,871)	(390,602)	167,731	(42.9)
Operating expenses, net of costs capitalized	**8,015,685**	**7,061,287**	**954,398**	**13.5**

The Company is continuing to invest in software development and customer support staff and the new hires and selective wage adjustments increased compensation and benefits.

Sales and marketing expenses increased as 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 increased its attendance at in-person trade shows and held more customer and prospective customer meetings during the year, causing trade show and travel costs to increase. Web site enhancements and lead generation costs decreased as this workload has now been transitioned to Company personnel instead of third parties. Incentive-based compensation paid for production trials and closed sales decreased as variable compensation programs associated with these activities have been reduced.

General and administrative expenses increased as audit fees increased significantly in the last year and costs related to internal software use and the Company's insurance costs increased. This was offset by a reduction in legal fees as a successful but lengthy litigation initiated by the Company to protect its IP was decided in the Company's favour and settled early in 2023 and the legal expenses arising from the acquisition of IM Operations in 2022 were not repeated.

New products are continuing to be developed for the marketplace and in 2023, costs related to the development of geohazard and bending strain measurement, integration of C-FER Risk models into CIM, pipeline crack detection and external corrosion modules were capitalized in the year. In Fiscal 2022, the Company invested $181,000 into the Internal corrosion module and, as this product was commercially released at the end of Fiscal 2022, capitalization of its costs ceased. Software development also reduced in 2023 as more of the development resources were assisting the accelerated CIM implementation of a major new customer, for which staff time addressing it and other customer specific requests did not qualify for capitalization.

Other expense (income)

	Year ended:			
	December 31, 2023	December 31, 2022	Change	
	$	$	$	%
Stock based compensation	928,499	618,952	309,547	50.0
Amortization of intangible assets	446,958	437,631	9,327	2.1
Depreciation of property and equipment	25,717	23,829	1,888	7.9
Foreign exchange loss (gain)	62,996	(53,882)	116,878	(216.9)
Interest income	(145,562)	(67,026)	(78,536)	117.2
Provincial innovation employment grant	(92,325)	(107,649)	15,324	(14.2)
Income from settlement of legal action	(37,500)	-	(37,500)	100.0
Other income	-	(30,545)	30,545	(100.0)
	1,188,783	**821,310**	**367,473**	**44.7**

The Company awarded 2,729,000 Restricted Share Units ("**RSU**s") to selected staff to assist in the Company's employee retention strategy, resulting in additional stock-based compensation expense of $210,000 being recorded in Q4 2023. This award and other stock option grants made during the year resulted in the increased stock-based compensation.

The average Canadian to U.S. dollar exchange rate decreased in Fiscal 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 interest income increase is due to the increase in general interest rates and by the Company earning interest on its checking account held in a U.S. bank which previously paid no interest.

The provincial innovation employment grant arose from the scientific research and development expenditures the Company made in the Province of Alberta in 2022. This figure is presented net of associated consultant's fees and an allocation of $26,221 to capitalized software development costs.

In 2023, the Company settled an action it had commenced against Cylo Technologies Inc. and its principals. A payment received in the settlement was recorded. 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 concerning the Company's IP.

Net loss

Summarized Statement of Net Loss

	Year ended: December 31, 2023	December 31, 2022	Change	
	$	$	$	%
Revenue	10,392,011	6,888,572	3,503,439	50.9
Gross profit	7,837,400	4,910,443	2,926,957	59.6
Operating expenses (net of cost capitalization)	8,015,685	7,061,287	954,398	13.5
Other expense (income)	1,188,783	821,310	367,473	44.7
Net loss	**(1,367,068)**	**(2,972,154)**	**1,605,086**	**(54.0)**

The 50.9% increase in revenue and 59.6% increase in gross profit more than offset the higher expenses and other expense (income) resulting in the net loss improving by $1,605,086 or 54%. Management believes the investment of resources to hire additional staff for product development, marketing and sales activities has facilitated business growth and improved revenue, gross profit, and cash flow in the current period.

Quarter ended December 31, 2023, compared to Quarter ended December 31, 2022

Revenue and Gross Profit

	Quarter ended: December 31, 2023	December 31, 2022	Change	
	$	$	$	%
CIM revenue	2,452,334	1,774,097	678,237	38.2
IM operations revenue	469,244	415,222	54,022	13.0
Total Revenue	**2,921,578**	**2,189,319**	**732,259**	33.4
Direct costs	662,576	624,381	38,195	0.1
Gross profit	**2,259,002**	**1,564,938**	**694,064**	**44.4**
Gross margin	77.3%	71.5%	5.8%	8.1

Analysis of revenue by customer groups, Q4 2023 to Q4 2022		
New CIM customers contracted in 2023	$	511,849
Increase in CIM revenue from customers contracted prior to 2023		322,811
Decrease in CIM revenue from other customers		(164,342)
Increase in revenue from IM Group acquired June 30, 2022		52,504
Foreign exchange effect, year over year		9,437
Increase in revenue	**$**	**732,259**

Gross profit increased by $694,064, of which $523,423 was generated by the higher sales volume. Both royalty expense and the cost of staff labour as a percentage of sales decreased due to the mix of the products in CIM revenue and improved staff labour cost efficiencies. The reduction of these two factors as a percentage of sales caused the gross margin to increase, contributing $170,641 in additional gross profit.

Operating expenses:

	Quarter ended: December 31, 2023	December 31, 2022	Change	
	$	$	$	%
Salaries and employee benefits	1,515,068	1,470,984	44,084	3.0
Sales and marketing	311,375	241,530	69,845	28.9
General and administration	279,475	278,639	836	0.3
	2,105,918	**1,991,153**	**114,765**	**5.8**
Software development costs capitalized	(59,726)	(84,778)	25,052	(29.6)
Operating expenses, net of costs capitalized	**2,046,192**	**1,906,375**	**139,817**	**7.3**

Net new staff hires and selective wage adjustments increased compensation expense by $157,371. Lower accruals for incentive compensation and a higher allocation of staff costs to direct costs for customer support and sales and marketing support collectively deceased expense by $89,545.

Sales and marketing expenses increased as the allocation of salaries expense associated with conducting benefit analysis with prospective customers increased as did travel expenses to visit prospective customers and hold in-person meetings. The Company's upgrade to the HubSpot CRM system to more effectively track marketing leads and website traffic also increased expenses.

Software development costs of $73,216 were capitalized for the development of the Company's Risk, Crack Management, Bending Strain and External Corrosion CIM modules. The same modules and the Internal Corrosion module were being developed in Q4 2022.

Other expense (income):

	Quarter ended: December 31, 2023	December 31, 2022	Change	
	$	$	$	%
Stock based compensation	371,827	100,791	271,036	268.9
Amortization of intangible assets	108,813	181,964	(73,151)	(40.2)
Depreciation of property and equipment	5,116	11,165	(6,049)	(54.2)
Foreign exchange loss	50,105	16,650	33,455	200.9
Interest income	(47,576)	(27,675)	(19,901)	(71.91)
	488,285	**282,895**	**205,390**	**72.6**

The Company awarded 2,729,000 Restricted Share Units to selected staff, resulting in additional stock-based compensation expense of $210,000 being recorded in Q4, 2023. This, and other stock option grants made during the year, caused stock-based compensation to exceed last year's amortization by $271,036.

Amortization and depreciation expense decreased as many deferred software development costs completed their amortization in prior periods.

The average Canadian to U.S. dollar exchange rate decreased in December 2023 causing the Canadian dollar value of the Company's net U.S. dollar financial assets to decrease, generating the higher foreign exchange loss.

Interest income increased as the Company negotiated interest being paid on its current account at a U.S. bank and higher cash balances in interest bearing accounts.

Summarized statement of net loss

	Quarter ended: December 31, 2023	December 31, 2022	Change	
	$	$	$	%
Revenue	2,921,578	2,189,319	732,259	33.4
Gross profit	2,259,002	1,564,938	694,064	44.4
Operating expenses (net of cost capitalization)	2,046,192	1,906,375	139,817	7.3
Other expense (income)	488,284	282,895	205,389	72.6
Net loss	**(275,474)**	**(624,332)**	**348,858**	**(55.9)**

The higher revenue and gross profit offset the increased operating expenses and higher other expenses. The Company has continued to invest in sales, marketing and software development resources with the belief that continued investment of Company resources will create higher revenue, profit and shareholder value in the future.

FINANCIAL CONDITION & LIQUIDITY

	Year ended: December 31, 2023	December 31, 2022	Change	
	$	$	$	%
Net loss	(1,367,068)	(2,972,154)	1,605,086	(54.0)
Items not involving cash: Stock-based compensation, amortization, depreciation, interest expense, unrealized foreign exchange loss	1,391,056	1,086,490	304,566	28.0
Net loss adjusted for items not involving cash	**23,988**	**(1,885,664)**	**1,909,652**	**(101.3)**
Changes in operating assets and liabilities	514,049	983,389	(469,340)	(47.7)
Cash flow provided by (used in) operating activities	**538,037**	**(902,275)**	**1,440,312**	**(159.6)**
Cash flow provided by financing activities	**337,563**	**96,395**	**241,168**	**250.2**
Cash flow used in investing activities	**(420,488)**	**(385,713)**	**(34,775)**	**9.0**
Net change in cash	**455,112**	**(1,191,593)**	**1,646,705**	**(138.2)**
Effect of foreign exchange rate fluctuation on U.S. operations	7,432	74,066	(66,634)	(90.0)
Cash, beginning of year	4,391,942	5,509,469	(1,117,527)	(20.3)
Cash, end of year	**4,854,486**	**4,391,942**	**462,544**	**10.5**

The Company's higher revenue and gross margin generated a large reduction in the Company's net loss, resulting in cash positive operations in Fiscal 2023. Operating assets and liabilities contributed $469,340 less cash than last year as deferred revenue did not increase by the same amount as in the prior year.

Financing activities in 2023 consisted of stock option exercises generating $337,563.

Investment activities in 2023 consumed cash of $420,488 primarily consisting of $222,871 of salaries and employee benefits expenses capitalized as new product development, and two scheduled installments totaling $188,472 paid to reduce the debt owed for the acquisition of IM Operations. The remaining non-discounted debt for the acquisition of IM Operations is US $183,333 which will be paid during the next two fiscal years. It is the only debt of the Company other than usual current liabilities incurred in the normal course of business.

The Company generated a net positive change in cash in 2023 of $455,112, an improvement of $1.6 million over the cash consumed in Fiscal 2022. This was the Company's first year since acquiring the OneBridge business where positive operating cash flow was generated.

Management believes that the Company is adequately funded to continue its business plans as currently envisioned.

Total Assets

Total assets of the Company at December 31, 2023 were $7,142,171, an increase of $431,511 from assets of $6,710,660 as at December 31, 2022. Cash increased $462,544 due to the cash generated from operations in the year. Accounts receivable increased $74,980 due to higher revenue and prepaid expenses increased by $108,632 as payments were made for upcoming trade shows and investor events. The carrying value of the Company's intangible assets and equipment decreased by $206,782 due to amortization and depreciation of $472,675 being greater than the capitalization of new product development costs of $222,871. New equipment and patent registrations totaled $31,160 and also contributed to increased assets.

Total Liabilities

Total liabilities increased to $4,060,995 from $3,624,792 as at December 31, 2022. Accounts payable and accrued expenses increased by $362,499 due to the higher business activity level in the Company. Deferred revenue increased by $261,933 as customer payments for new or renewed CIM contracts was greater than the realization of deferred revenue as revenue in the year. The acquisition price payable for IM Operations was reduced by $188,229, in accordance with the payment schedule and adjustments to this debt's fair value.

Letter of Credit Facility

As at December 31, 2023, the Company was in the process of contracting with a potential foreign customer and was required to post a bid bond and a performance bond. The Company opened a credit facility with a Canadian Bank in November 2023 to support the issuance of two Letters of Credit ("**LC**s") in lieu of the bonding. Post-signing of the CIM contract, the customer may draw from the LCs should the Company not remediate any contract non-compliances within the allowed time to do so. The credit facility has a limit of US$500,000 with an initial term of one year and can be renewed upon review. Any draw on the LCs by the customer will be charged an annual interest rate equal to the prime rate plus 2.5% until the balance is repaid. As at December 31, 2023, the outstanding balance is $nil.

The Company has obtained a performance security guarantee from Export Development Canada ("**EDC**") to serve as collateral for this credit facility. It has also purchased insurance from EDC to insure against any unauthorized draws on the LCs by the customer.

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 included in the Company's CIM product. The contract successfully concluded in December 2018. The Company provisionally owns the software, which ownership will become absolute provided minimum royalties of US $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, 2023, total royalties of US $1,581,524 (December 31, 2022 – US $1,077,442) have been incurred. Royalties are paid quarterly within 30 days after each quarter ends.

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:

	Year ended December 31,	
	2023	2022
	$	$
Salaries, benefits, management fees and directors' fees	1,228,013	1,183,967
Stock based compensation	288,906	193,161
Total	1,516,919	1,377,128

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. Accounts payable and accrued liabilities due to key Management personnel as at December 31, 2023 was $189,036 (December 31, 2022 – $204,313).

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 receives 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 December 31, 2023, the Company had outstanding:

- 122,081,561 common shares;
- 10,802,004 stock options with an average strike price of $0.57 and an average remaining life of 2.8 years. Of these, 6,505,016 are exercisable at an average strike price of $0.55. The number of options available under the Stock Option Plan for granting purposes was 1,406,152.

- 2,729,000 Restricted share units ("**RSU**s"). 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:

- 3,239,007 stock option were granted with an average strike price of $0.63.
- 710,835 options were exercised for an equal number of common shares, generating $337,563 proceeds.
- 2,541,835 stock options were exercised on a Net Exercise basis in exchange for 703,787 common shares and generating $nil proceeds.
- 224,000 stock options with a weighted average price of $0.48 were cancelled or forfeited.
- 66,668 options expired without exercise with a weighted average price of $0.63.
- 300,000 Performance Share units were granted and cancelled as the Company and the employee agreed to replace them with RSUs.
- 2,729,000 RSUs have been granted.

RISKS AND UNCERTAINTIES

The Company's products are new and different from current industry solutions and may not gain enough acceptance

Machine learning, predictive analytics and other data science applications are relatively new technologies which the Company believes can be used to improve the safety and/or operation of oil and gas pipelines. While the Company believes that such applications may potentially render very favourable results, there can be no assurance that such applications will be successful, or that the Company's potential customers will adopt these new technologies, products and/or practices. Failure of potential customers to adopt these new technologies and products could materially reduce the Company's potential revenue.

Demand for the Company's products is unknown as potential customers may choose to continue to use legacy solutions or alternative technology/solutions. Pipeline operators may currently be using technologies, processes and procedures which they may consider to be adequate to address the guidelines and regulations that govern the safe operation of oil and gas pipelines. While the Company believes the value proposition of its new cloud technology and products is compelling, there can be no assurance that potential customers will adopt the Company's products or be willing to change their current practices.

The introduction of new products or new technologies could render the Company's products and/or the Company's future products that are currently being planned or developed obsolete. The computer software industry, particularly regarding new machine learning, cloud and data science technologies, is undergoing rapid and constant change, and new technologies, equipment and processes are being introduced to the pipeline industry on a regular basis. The Company believes it must bring its products to market on a rapid timeline to ensure its software applications are not rendered obsolete or inferior by potentially more efficient and effective competitive products, or otherwise lose market opportunity because of superior products which may be developed and marketed by competing vendors. Such events could materially reduce or eliminate the market for the Company's products.

The Company's software deployment and pricing models are different from current industry practices and may not be accepted by the industry

There is no guarantee that the Company will be able to sell its products and services at the prices anticipated by the Company. There can be no assurance that our pricing models will be acceptable to and be embraced by our prospective customers. While the Company currently believes its fees and pricing structures are reasonable with respect to revenue assumptions, there can be no assurance that the Company's current pricing model will not need to be altered in the future, and that such potential changes may materially alter the Company's current estimate of the revenue it can earn from its addressable market. Additionally, new competitors could enter and compete in the Company's intended marketplace. Any or all these factors could materially alter the Company's current estimate of its total addressable market and the revenue it can generate from it.

The Company's reliance on the Microsoft cloud platform and services

Management believes that the Company currently has a degree of competitive advantage because it was an early adopter of Microsoft's cloud platform and services commencing in 2011, and it was a participant in Microsoft Venture's first Accelerator program for Machine Learning and Data Science involving big data in 2016. Microsoft is working collaboratively with the Company to assist with the introduction, marketing and sale of our products to selected enterprise level customers within the USA and other parts of the world. There can be no assurance that other software vendors will not develop competing products that are also based on Microsoft's cloud platform and services, and/or on competing cloud technology platforms. Risks associated with the Company's reliance upon Microsoft include Microsoft increasing its rates for its cloud platform and services that power the Company's products, which might render the Company's products uncompetitive because of high cost; and the possibility that Microsoft may elect to work with other software vendors so they can compete with the Company. Potential changes to Microsoft's current cloud platform and services pricing model could materially alter the Company's current estimate of and generation of future revenue.

Personnel and Key Employee risks

The Company is reliant on its ability to retain current personnel and attract future employees who have specialized knowledge and expertise pertaining to technology development, data sciences, sales, marketing and servicing of products for oil and gas pipeline customers. There can be no assurance that the Company will be able to replace current employees or hire new employees in the future who have the specialized knowledge that is required to advance our business. The Company's potential inability to replace current skillsets and expertise and/or expand our teams to accommodate growth in a timely manner could materially alter the Company's current estimate of market size and generation of revenue therefrom.

The Company has entered into employment agreements with its officers and other key employees. OneSoft's operational success depends strongly on the abilities and experience of its executive officers and key employees. Competition for highly skilled management, technical, research and development, and other key employees is significant in the software industry, and the loss of key employees could disrupt operations and impair the Company's ability to compete effectively. As part of our software offerings, we provide services that require highly specialized knowledge of the Microsoft Cloud, software training, end-user support, and the determination of best practices. There can be no assurance that the Company will retain its key personnel, or in the event of a key person leaving the Company, that a suitable replacement will be found in a timely manner.

Our business could be harmed if we fail to manage our growth effectively

Our growth may place a significant strain on our managerial, administrative, operational, financial and other resources. We intend to further expand our overall business, including headcount, with no assurance that our revenues will continue to grow.

Risks regarding a patent of the Company's intellectual property and dependence on Intellectual Property Rights

The Company to date has not patented its software. The Company's success and ability to compete may be enhanced by effective copyright, trade secret, and trademark law to protect its technology and the technology licensed to it by third parties; however, the Company may or may not be successful in being granted a patent or patents should it apply for them, and effective trademark protection may not be available for the Company's intellectual property, trademarks or the trademarks licensed by it. The lack of a patent may make the Company's products vulnerable to being copied or infringed upon by a competitor and may negatively impact the ability of the Company to compete effectively in its addressable markets. If the Company is successfully awarded a patent or patents, it will be necessary to reveal certain details regarding the Company's technology and intellectual property secrets, which could introduce additional risks associated with competitors who may not respect patent protection rights or may otherwise not be bound by patent protection rights because of the geographic location they operate from. Any or all these factors could materially alter the Company's current estimate of its market and its generation of revenue therefrom and there can be no assurance that misappropriation of our technology, trade dress or agreements entered for that purpose will be enforceable.

Investment in our current research and development efforts may not provide a sufficient, timely return

The development of new software products and strategies is a costly, complex and time-consuming process, and the investment in software product development often involves a prolonged time until a return is achieved on such an investment. We have made, and will continue to make, significant investments in software development and related product opportunities. Investments in new products are inherently speculative and risky. Commercial success depends on many factors including the degree of innovation of the products developed, sufficient support from our strategic partners, and effective distribution and marketing. Accelerated product introductions and short product life cycles require high levels of expenditure for new development. These expenditures may adversely affect our operating results if they do not generate revenue increases. We believe that we must continue to dedicate significant resources to our development efforts to maintain our competitive position; however, significant revenue from new product and service investments may not be achieved for a prolonged period, if at all.

Current and future competitors could have a significant impact on our ability to generate future revenue and profits

The markets for our products are intensely competitive and are subject to rapid technological change and other pressures created by changes within our industry. We expect competition to increase and intensify in the future as additional companies enter our markets, including competitors who may offer similar solutions but provide them through different means. We may not be able to compete effectively with current competitors and potential entrants into our marketplace. We could experience diminished market share if our current or prospective competitors introduce new competitive products, add new functionality to existing products, acquire competitive products, reduce prices, or form strategic alliances with other companies. If competitors were to engage in aggressive pricing policies with respect to their products, or if the dynamics in our marketplace resulted in increasing bargaining power by the consumers of our products and services, we might need to lower the prices we charge for the products we offer. This could result in lower revenues or reduced margins, either of which may materially and adversely affect our business and operating results.

If we have overestimated the size of our total addressable market, our future growth rate may be limited.

We have estimated the size of our total addressable market based on internally generated data and assumptions, as well as data published by third parties, which we have not independently verified. While we believe our market size estimates are reasonable, such information is inherently imprecise and subject to a high degree of uncertainty. If our third-party or internally generated data prove to be inaccurate or we make errors in our assumptions based on that data, our actual market may be more limited than our estimates. In addition, these inaccuracies or errors may cause us to misallocate capital and other critical business resources, which could harm our business. Even if our total addressable market meets our size estimates and experiences growth, we may not continue to grow our share of the market.

We have in the past, and may in the future, engage in acquisition and investment activities, which could divert the attention of management, disrupt our business, dilute stockholder value and adversely affect our operating results and financial condition.

As part of our business strategy, we continually evaluate opportunities to acquire or invest in businesses, products or technologies that we believe could complement or expand our products and solutions, enhance our technical capabilities or otherwise offer growth opportunities. In the future, we may be unable to identify suitable acquisition candidates and, even if we do, we may not be able to complete desired acquisitions on favorable terms, if at all. If we are unable to complete acquisitions, we may not be able to strengthen our competitive position or achieve our goals. Future acquisitions (including investigations of), and investments may result in unforeseen operating difficulties and expenditures, including disrupting our ongoing operations, diverting management attention, increasing our expenses, and subjecting us to additional liabilities. An acquisition may also negatively affect our financial results because it may:

- require us to incur charges or assume substantial debt;
- cause adverse tax consequences or unfavorable accounting treatment;
- expose us to claims and disputes by third parties, including intellectual property and disputes;
- not generate sufficient financial return to offset additional costs and expenses related to the acquisition;
- cause us to incur liabilities for activities of the acquired company before the acquisition;
- cause us to record impairment charges associated with goodwill and other acquired intangible assets; and
- cause other unforeseen operating difficulties and expenditures.

Moreover, to pay for an acquisition or investment, we would have to use cash, incur debt and/or issue equity securities, each of which may affect our financial condition or the value of our common stock and (in the case of equity financing) could result in dilution to our stockholders.

In addition, a failure to successfully integrate the operations, personnel or technologies of an acquired business could impact our ability to realize the full benefits of such an acquisition. Our limited experience acquiring companies increases these risks. If we are unable to achieve the anticipated strategic benefits of an acquisition or if the integration or the anticipated financial and strategic benefits, including any anticipated cost savings, revenue opportunities or operational synergies, of such an acquisition are not realized as rapidly as or to the extent anticipated by us, our business, operating results and financial condition could suffer.

We may become involved in legal matters that may materially adversely affect our business.

From time to time in the ordinary course of our business, we may become involved in various legal proceedings, including commercial, product liability, employment, class action and other litigation and claims, as well as governmental and other regulatory investigations and proceedings. Such matters can be time-consuming, divert management's attention and resources and cause us to incur significant expenses. Furthermore, because litigation is inherently unpredictable, and can be very expensive, the results of any such actions may have a material adverse effect on our business, operations or financial condition.

Our systems and security measures may be compromised or subject to data breaches, cybersecurity attacks, or other malicious activity

The Company stores all its information, software applications, customer data and internal financial system on remote servers in the Microsoft Azure Cloud Platform. The Company provides customers access to the software applications housed on those remote servers using online ID and password systems. All computers are protected by antivirus software, multi-factor authentication, the use of personal IDs and passwords and other means to prevent unauthorized access. The Azure platform is continually tested by Microsoft, who represents it maintains compliance with the very latest and highest level of computer industry security certifications and Microsoft provides guidance to its customers to allow them to adopt these same protections and comply with very high cyber security standards. The Company places a high reliance on those certifications to protect the data it stores on those servers.

In Fiscal 2022, the Company completed an initiative to become compliant with SOC 2 Type 2 data confidentiality and protection standards to further strengthen the Company's protection of customer data. This SOC 2 Type 2 designation was renewed in Fiscal 2023 after the Company was audited by an independent CPA auditing firm skilled in SOC 2 audits.

Despite those protections, the Company acknowledges it may be susceptible to a cybersecurity attack which could potentially lead to the loss of sensitive data and the loss of customers and the related revenue they pay to the Company, and / or cause the

Company to suffer remediation costs which could be very expensive or perhaps fatal to the Company. There can be no assurance that Company security policies would be effective to ward off all threats to its cybersecurity protections.

We obtain and process a large amount of sensitive customer data. Any real or perceived improper use of, disclosure of, or access to such data could harm our reputation, as well as have an adverse effect on our business.

We receive, store and process confidential industrial and commercial (but not personal) information and other data from our customers. Our data handling is subject to contractual obligations and industry standards. We have internal and publicly posted policies regarding our collection, processing, use, disclosure, deletion and security of information. Although we endeavor to comply with our policies and documentation, we may at times fail to do so or be accused of having failed to do so. Our actual or perceived failure to comply with our stated policies and in contravention of our contracts with customers could harm our business and we may be forced to implement new measures to reduce our exposure to this liability. This may require us to expend substantial resources or to discontinue certain solutions, which would negatively affect our business, operating results and financial condition. In addition, the increased attention focused upon liability issues as a result of lawsuits, if any, could harm our reputation or otherwise impact the growth of our business. Any costs incurred as a result of this potential liability could harm our business and operating results. Additionally, any failure or perceived failure by us to comply with policies, legal or contractual obligations or industry standards relating to privacy or data security, may result in litigation, penalties or adverse publicity, and could cause our customers to lose trust in us, which could have an adverse effect on our reputation and business.

If our software contains serious errors or defects, we may lose revenue and market acceptance.

Software such as ours may contain errors, defects, security vulnerabilities or software bugs that are difficult to detect and correct, particularly when first introduced or when new versions or enhancements are released. Despite internal testing, our platform may contain serious errors or defects, security vulnerabilities or software bugs that we may be unable to successfully correct in a timely manner or at all, which could result in lost revenue, significant expenditures of capital, a delay or loss in market acceptance and damage to our reputation and brand, any of which could have an adverse effect on our business, financial condition and results of operations.

Since our customers use our services for processes that are important to their businesses, errors, defects, security vulnerabilities, service interruptions or software bugs in our platform could result in losses to our customers. Our customers may seek significant compensation from us for any losses they suffer or cease conducting business with us altogether. Further, a customer could share information about bad experiences on social media or elsewhere, which could result in damage to our reputation and loss of future sales. There can be no assurance that provisions typically included in our agreements with our customers that attempt to limit our exposure to claims would be enforceable or adequate or would otherwise protect us from liabilities or damages with respect to any particular claim. Even if not successful, a claim brought against us by any of our customers would likely be time-consuming and costly to defend and despite insurance policies we carry to protect against such damaging costs, could seriously damage our reputation and brand, making it harder for us to sell our solutions.

If we fail to offer high-quality support, our business and reputation could suffer.

Many of our customers rely on our customer support and professional services personnel to deploy and use our products and solutions successfully. High-quality support is important for the renewal and expansion of our agreements with existing customers. The importance of high-quality support will increase as we expand our business and pursue new customers. If we do not help our customers quickly resolve issues and provide effective ongoing support, our ability to sell our products and solutions to existing and new customers could suffer and our reputation with existing or potential customers could be harmed.

Because we recognize revenue from subscriptions over the term of the relevant contract, downturns or upturns in sales contracts are not immediately reflected in full in our operating results.

We recognize revenue over the term of each of our contracts which are typically one year in length but may be longer. As a result, much of our revenue is generated from the recognition of contract liabilities from contracts entered into during previous periods. Consequently, a shortfall in demand for our products and solutions and professional services or a decline in new or renewed contracts in any one quarter may not significantly reduce our revenue for that quarter but could negatively affect our revenue in future quarters. Our revenue recognition model also makes it difficult for us to rapidly increase our revenue through additional sales contracts in any period, as revenue from new customers is recognized over the applicable term of their contracts.

If we fail to forecast our revenue accurately, or if we fail to match our expenditures with the corresponding revenue, our operating results could be adversely affected.

You should not rely on the revenue growth of any prior quarterly or annual period as an indication of our future performance. As a result of our rapid growth and limited operating history, our ability to accurately forecast our future operating results is limited. Future growth rates are also subject to a number of assumptions and uncertainties, including the effectiveness of our sales and growth strategy and general macro-economic conditions. For example, it has been, and may continue to be, difficult for us to forecast our operating results due to recent macro-economic events, including interest rate hikes and rising rates of inflation and concerns about a potential economic downturn. Accordingly, we may be unable to prepare accurate internal financial forecasts or replace anticipated revenue that we do not receive as a result of delays arising from these factors. If we do not address these risks successfully, our operating results could differ materially from our estimates and forecasts or the expectations of investors, causing our business to suffer and our stock price to decline.

We are exposed to fluctuations in currency exchange rates, which could negatively affect our operating results.

Our sales contracts are primarily denominated in U.S. dollars, and therefore substantially all of our revenue is subject to foreign currency risk. A strengthening of the U.S. dollar could increase the real cost of our offerings to our customers outside of the U.S., which could adversely affect our operating results. In addition, an increasing portion of our operating revenues and operating expenses are earned or incurred inside of the U.S., and an increasing portion of our assets is held in the U.S. These operating revenues, expenses and assets are denominated in U.S. dollars and are subject to fluctuations due to changes in foreign currency exchange rates. If we are not able to successfully manage the risks associated with currency fluctuations, our operating results could be adversely affected. Additionally, global events as well as geopolitical developments, including regional conflicts in Europe, fluctuating commodity prices, trade tariff developments and inflation have caused, and may in the future cause, global economic uncertainty and uncertainty about the interest rate environment, which could amplify the volatility of currency fluctuations. We have not engaged in the hedging of foreign currency transactions to date, so we may not be able to effectively offset the adverse financial impacts that may result from unfavorable movements in foreign currency exchange rates, which could adversely affect our operating results.

We could be required to collect additional sales taxes or be subject to other tax liabilities that may increase the costs our clients would have to pay for our offering and adversely affect our operating results.

A successful assertion by one or more states in the USA requiring us to collect taxes where we presently do not do so, or to collect more taxes in a jurisdiction in which we currently do collect some taxes, could result in substantial tax liabilities, including taxes on past sales, as well as penalties and interest. Any imposition by state governments or local governments of sales tax collection obligations on out-of-state sellers could also create additional administrative burdens for us, put us at a competitive disadvantage if they do not impose similar obligations on any actual or perceived competitors and decrease our future sales, which could have a material adverse impact on our business and operating results.

FINANCIAL INSTRUMENTS

Financial instruments

Categories of financial instruments

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

	December 31, 2023	December 31, 2022
	$	$
Cash and cash equivalents	4,854,486	4,391,942
Trade and other receivables	367,528	292,548
	5,222,014	4,684,490
Accounts payable and accrued expenses	1,460,463	1,097,964
Acquisition price payable - current	119,336	189,950
Acquisition price payable - noncurrent	115,647	233,262
	1,695,446	1,521,176

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.

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.

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

Foreign currency sensitivity

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

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

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

	December 31, 2023 $ (USD)	December 31, 2022 $ (USD)
Cash and cash equivalents	2,369,676	1,732,625
Trade and other receivables	270,502	208,070
Accounts payable and accrued liabilities	(600,472)	(440,672)
Business acquisition price payable	(177,668)	(307,566)
Total exposure	1,862,038	1,192,457

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

It assumes a +/- 10% change of the $/USD exchange rate for the year ended December 31, 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 and considers forward exchange contracts that offset effects from changes in currency exchange rates.

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

	Net loss $
December 31, 2023	99
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 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 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, 2023, approximately 85.3% (December 31, 2022 – 76.2%) of the Company's cash balances were held in interest bearing bank deposits and fixed interest rate GICs.

	Net loss $
December 31, 2023	32,106
December 31, 2022	25,778

Credit risk analysis

Credit risk is the risk that a counterparty 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:

	December 31, 2023 $	December 31, 2022 $
Classes of financial assets - carrying amounts:		
Cash and cash equivalents	4,854,486	4,391,942
Trade and other receivables	367,528	292,548
Carrying amount	5,222,014	4,684,490

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.

The aging of accounts receivable was:

			December 31, 2023
	Gross trade and other receivables	Allowance for doubtful accounts	Net trade and other receivables
	$		$
Current	367,528	-	367,528
Total	367,528	-	367,528

			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 90 days	29,919	-	29,919
Total	292,548	-	292,548

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 will be collected.

Liquidity risk analysis

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

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

The Company's financial liabilities are comprised 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 as at December 31, 2023 represents the present value of two equal installments of US$91,666 each that will be paid on June 30, 2024 and 2025. Financial liabilities outstanding as at December 31, 2023 were $1,695,446 (December 31, 2022 - $1,521,176).

The Company considers the cash flows from financial assets of $5,222,014 (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 contractually due within two months.

CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

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 production 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.

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

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

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

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

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

CHANGES IN ACCOUNTING POLICIES

Definition of Accounting Estimates - Amendments to IAS 8
The amendments to IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments have been adopted by the Company with $nil impact on the financial statements.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
The amendments to IAS 1, Presentation of Financial Statements, and IFRS Practice Statement 2 Making Materiality Judgements, require entities to disclose their 'material' accounting policies and clarify that:

- Accounting policy information can be material because of its nature even though the amounts are immaterial.
- Accounting policy information can be material if users of an entity's financial statements would need it to understand other material information in the financial statements.

The Company has conducted a thorough review of all its accounting policies disclosed and believe that it has disclosed all material accounting policies necessary for the users to understand the Company's financial statements.

MEASURES NOT IN ACCORDANCE WITH IFRS

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

	Three months ended December 31,		Year ended December 31,	
	2023	2022	2023	2022
	$	$	$	$
Net loss	(275,474)	(624,332)	(1,367,068)	(2,972,154)
Add (subtract):				
Depreciation and amortization	113,929	193,129	472,675	461,460
Stock based compensation	371,827	100,791	928,499	618,952
Interest income	(47,576)	(27,675)	(145,562)	(67,026)
Adjusted EBITDA	162,706	(358,087)	(111,456)	(1,958,768)

ADVISORY REGARDING FORWARD LOOKING INFORMATION

This MD&A and the audited consolidated Financial Statements for the years ended December 31, 2023 and December 31, 2022 (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: "Overview"," Fiscal 2023 Operational Highlights", "Fiscal 2024 Guidance", "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 in this MD&A and in the Company's public filings on the Canadian Securities Administrators' website at www.sedar+.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 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” or “financial guidance” 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.