Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

Independent auditor's report

To the Shareholders of
OneSoft Solutions Inc.

Opinion

We have audited the consolidated financial statements of **OneSoft Solutions Inc.** and its subsidiaries [the "Company"], which comprise the consolidated statement of financial position as at December 31, 2023 and 2022, and the consolidated statements of loss and comprehensive loss, consolidated statement of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ["IFRSs"].

Basis for opinion

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

Key audit matters

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

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

Key audit matter	How our audit addressed the key audit matter
Revenue recognition - Multiple performance obligations	
The Company enters into bundled arrangements with customers that include professional services, maintenance services and subscription services as more fully described in Note 3 to the consolidated financial statements. Judgment is required by the Company to identify the various distinct performance obligations and whether revenue should be recognized at a point in time or over a period of time. We identified the determination of distinct performance obligations and the allocation of the contractual transaction prices based on the stand-alone selling prices as a Key Audit Matter. Significant auditor judgment and effort was required to evaluate the Company's significant judgments of whether the professional services, maintenance services and subscription services are distinct and whether revenue should be recognized at a point in time or over a period of time.	To test the Company's determination of performance obligations and allocation of contractual transaction prices, we performed the following procedures, among others: • We assessed management's identification of performance obligations by examining customer contracts on a sample basis; • We assessed management's conclusions to the satisfaction of the identified performance obligations and the related measurement of revenue at a point of time, or over a period of time, by examining customer contracts and obtaining external confirmations on a sample basis; • We assessed how management determined the stand-alone selling prices in allocating revenue between performance obligations by examining and comparing customer contracts, performance obligations, and the related stand-alone selling prices charged on a sample basis, and; • We tested the underlying data used by management to record revenue by examining, on a sample basis, customer contracts, customer orders, invoices, cash receipts and comparing to the accounting records.

Other information

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

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

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

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

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

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

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

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

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

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

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

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

Ernst & Young LLP

Chartered Professional Accountants

Edmonton, Canada
March 26, 2024

OneSoft Solutions Inc.
Consolidated Statements of Financial Position

Assets	Notes	December 31, 2023 $	December 31, 2022 $
Current assets			
Cash and cash equivalents	5	4,854,486	4,391,942
Trade and other receivables	6	367,528	292,548
Prepaid expenses and deposits		245,171	136,539
Total current assets		5,467,185	4,821,029
Non-current assets			
Property and equipment	7	30,540	38,403
Intangible assets	8,9	1,166,884	1,373,666
Goodwill	10	477,562	477,562
Total non-current assets		1,674,986	1,889,631
Total assets		7,142,171	6,710,660
Liabilities and equity			
Current liabilities			
Accounts payable and accrued expenses		1,460,463	1,097,964
Deferred revenue	11	2,365,549	2,103,616
Acquisition price payable - current	9	119,336	189,950
Total current liabilities		3,945,348	3,391,530
Acquisition price payable - noncurrent	9	115,647	233,262
Total liabilities		4,060,995	3,624,792
Shareholders' equity			
Share capital	9,12	21,237,710	19,984,637
Contributed surplus	12	2,962,904	2,947,161
Deficit		(21,167,090)	(19,823,489)
Accumulated other comprehensive income (loss)		47,652	(22,441)
Total equity		3,081,176	3,085,868
Total liabilities and equity		7,142,171	6,710,660

Approved on behalf of the Board of Directors

Signed “Dwayne Kushniruk”, Director

Signed “Doug Thomson”, Chair

Please see the accompanying notes to the consolidated financial statements.

OneSoft Solutions Inc.
Consolidated Statements of Loss and Comprehensive Loss

	Notes	Year Ended December 31, 2023	Year Ended December 31, 2022
		$	$
Revenue	13	10,392,011	6,888,572
Direct costs	14	2,554,611	1,978,129
Gross profit		7,837,400	4,910,443
Operating expenses			
Salaries and employee benefits		5,902,577	5,397,676
Sales and marketing		1,225,571	1,007,731
General and administrative		1,110,408	1,046,482
Operating expenses		8,238,556	7,451,889
Salaries and benefits capitalized	8	(222,871)	(390,602)
Operating expenses, net of capitalization		8,015,685	7,061,287
Loss before the following		(178,285)	(2,150,844)
Other expenses (income)			
Stock-based compensation	12,8	928,499	618,952
Amortization of intangible assets	8	446,958	437,631
Depreciation of property and equipment	7	25,717	23,829
Interest income		(145,562)	(67,026)
Foreign exchange loss (gain)		62,996	(53,882)
Provincial innovation employment grant		(92,325)	(107,649)
Income from the settlement of legal action	21	(37,500)	-
Other income		-	(30,545)
		1,188,783	821,310
Loss before income taxes		(1,367,068)	(2,972,154)
Income tax expense (recovery)			
Current	15	-	-
Deferred	15	-	-
Income tax expense (recovery)		-	-
Net loss		(1,367,068)	(2,972,154)
Other comprehensive income (loss)			
Foreign exchange gain (loss) on translation of foreign operations, net of income tax		70,093	(48,392)
Comprehensive loss		(1,296,975)	(3,020,546)
Net loss per share			
Basic	16	(0.01)	(0.02)
Diluted	16	(0.01)	(0.02)
Weighted average number of shares:			
Basic	16	121,391,760	119,597,891
Diluted	16	121,391,760	119,597,891

Please see the accompanying notes to the consolidated financial statements.

OneSoft Solutions Inc.
Consolidated Statements of Changes in Equity

	Notes	Common Shares #	Share Capital $	Contributed Surplus $	Deficit $	Accumulated Other Comprehensive (Loss) Income $	Total $
Balance, December 31, 2021		**118,464,147**	**19,305,321**	**2,636,562**	**(17,088,642)**	**25,951**	**4,879,192**
Share issuance for business acquisition	9,12	1,828,125	511,875	-	-	-	511,875
Share issuance cost	9	-	(3,098)	-	-	-	(3,098)
Exercise of stock options	12	374,667	170,539	(71,046)	-	-	99,493
Expiry of stock options	12	-	-	(237,307)	237,307	-	-
Stock-based compensation	12	-	-	618,952	-	-	618,952
Net loss		-	-	-	(2,972,154)	-	(2,972,154)
Foreign exchange loss on translation of foreign operations		-	-	-	-	(48,392)	(48,392)
Balance, December 31, 2022		**120,666,939**	**19,984,637**	**2,947,161**	**(19,823,489)**	**(22,441)**	**3,085,868**
Exercise of stock options	12	710,835	536,143	(198,580)	-	-	337,563
Net exercise of stock options	12	703,787	716,930	(716,930)	-	-	-
Expiry of stock options	12	-	-	(23,467)	23,467	-	-
Stock-based compensation	12	-	-	954,720	-	-	954,720
Net loss		-	-	-	(1,367,068)	-	(1,367,068)
Foreign exchange gain on translation of foreign operations		-	-	-	-	70,093	70,093
Balance, December 31, 2023		**122,081,561**	**21,237,710**	**2,962,904**	**(21,167,090)**	**47,652**	**3,081,176**

Please see the accompanying notes to the consolidated financial statements.

OneSoft Solutions Inc.
Consolidated Statements of Cash Flows

	Year ended December 31, 2023 $	Year ended December 31, 2022 $
Operating activities		
Net loss	(1,367,068)	(2,972,154)
Items not involving cash:		
Stock-based compensation	928,499	618,952
Amortization of intangible assets	446,958	437,631
Depreciation of property and equipment	25,717	23,829
Amortization of acquired deferred revenue	(10,362)	(20,804)
Interest expense	9,754	6,644
Unrealized foreign exchange (gain) loss	(9,510)	20,238
Changes in operating assets and liabilities:		
Trade and other receivables	(83,302)	(61,943)
Prepaid expenses and deposits	(111,636)	19,553
Accounts payable and accrued expenses	380,875	225,564
Deferred revenue-current	328,112	1,101,825
Deferred revenue-noncurrent	-	(301,610)
Cash flow provided by (used in) operating activities	538,037	(902,275)
Investing activities		
Purchase of equipment	(18,062)	(25,111)
Payment of acquisition price payable	(188,472)	-
Salaries and benefits capitalized in internally developed software	(222,871)	(390,602)
Provincial innovation employment grant received	22,015	30,000
Software patents and trademarks registration	(13,098)	-
Cash flow used in investing activities	(420,488)	(385,713)
Financing activities		
Exercise of stock options	337,563	99,493
Share issuance costs	-	(3,098)
Cash flow provided by financing activities	337,563	96,395
Net change in cash and cash equivalents	455,112	(1,191,593)
Effect of foreign exchange fluctuation on cash and cash equivalents in foreign operations	7,432	74,066
Cash and cash equivalents, beginning of year	4,391,942	5,509,469
Cash and cash equivalents, end of year	4,854,486	4,391,942
Supplementary cash flow information		
Interest received	$116,078	$67,511

Please see the accompanying notes to the consolidated financial statements.

1.0 Corporate information

OneSoft Solutions Inc. (the "Company" or "OSS") is a public company incorporated in Alberta whose common shares trade on the TSX Venture Exchange under the symbol "OSS" and on the OTCQB market in the USA under "OSSIF". It has its corporate office at Suite 4220, 10230 Jasper Avenue, Edmonton, Alberta, Canada T5J 4P6. The Company conducts its operations through its wholly owned and controlled subsidiaries: OneBridge Solutions Canada Inc. ("OBS CA"), OneBridge Solutions, Inc. ("OBS USA") and OneCloudCo Limited ("OCC").

OneBridge Solutions Canada Inc. ("OBS CA") is incorporated in Alberta and provides software services to the oil and gas pipeline industry consisting of cognitive software solutions incorporating machine learning (a component of artificial intelligence), predictive analytics and other data science techniques.

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

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

2.0 Basis of presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These consolidated financial statements present the Company's financial position and financial results of operations as at and for the years ended December 31, 2023 and 2022. They have been prepared and presented in accordance with IAS 1 *Presentation of Financial Statements*.

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

The Board of Directors on March 26, 2024, authorized for issuance these consolidated financial statements for the years ended December 31, 2023 and 2022.

3.0 Significant accounting policies

Basis of consolidation

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

Revenue recognition

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

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

Revenue comprises the fair value of the consideration received or receivable, net of sales tax and discounts and after eliminating intercompany sales.

Revenue may be earned over time from software-as-a-service ("SaaS") subscriptions, software implementation services and software technical support and maintenance services as the performance obligations are satisfied. Revenue can also be earned at a point in time when the Company has earned a right to payment, a license has been issued to a customer to use on-premise RIPL software, has ingested data into the SaaS software or contracted risk analyses have been completed and accepted by the customer.

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

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

The Company may pay incentives to employees or commission to external agents and incur legal and other costs to obtain certain contracts with customers. These costs qualify as incremental contract acquisition costs. In compliance with IFRS 15, such costs are capitalized and amortized over the initial contract term.

The Company generally receives payment from its clients after invoicing with normal 30-day commercial terms. In instances where timing of revenue recognition differs from the timing of invoicing and subsequent payment, the Company has determined that the contracts generally do not include a significant financing component. Clients may pay the subscription price for the term of the contract in advance of using the services in which case the amount paid is recorded as deferred revenue and recognized as revenue when earned. Payments made in advance of the consumption of subscriptions to use the Company's software or for the provision of related services in future periods may be returned if the related contract is cancelled subject to certain conditions.

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

The Company derives revenues from software-as-a-service (SaaS) subscriptions, software related consulting services, pipeline risk technical analysis, software licensing and technical support and maintenance contracts, and production trials.

i. SaaS subscriptions

Software is provided to customers via a SaaS subscription model which provides customers the right to access and use hosted software over a term without taking possession of the software. The parties in the contract are identified in a signed agreement which states each party's rights, performance obligations and payment terms. Revenue is recognized monthly over the life of the contract as the performance obligations are satisfied through the provision of access to the software and from the software functionality being applied to pipeline inspection assessments which the customer has uploaded into the software. For an additional fee, customers may purchase optional software functionality to apply to their pipeline assessment data. The services are invoiced at the end of each month on normal commercial terms. Certain customers may choose to prepay the services for a stated period which the Company records as deferred revenue.

ii. Software related consulting services

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

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

iii. Pipeline risk technical analysis

Regulatory bodies require operators to identify sections of their systems that could impact specially designated areas of concerns called High Consequence Areas (HCA). Examples of HCA are environmentally sensitive areas, highly populated areas, and drinking water reservoirs. If an operator determines the presence of an HCA that could be affected by segments of their pipeline system, the operator is required to conduct a risk assessment.

The Company contracts with customers to conduct HCA analyses. The contract specifies the work to be performed and its price and milestones may be stated. The Company invoices the customer upon the completion of milestones and the contract. Revenue is recognized when earned.

iv. Software licencing and technical support and software maintenance contracts

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

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

v. Production trials

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

Direct costs

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

Stock-based compensation

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

The Company has also granted restricted share units (RSUs) to certain key employees. These share units have a three- or five-year life and vest equally on each anniversary of the grant date over the life. RSUs expire at the end of the calendar year in which they vest if not exercised.

The costs of the stock options and RSUs granted to employees and non-employees are measured at their fair value on the grant date using the Black-Scholes Option Pricing Model and in consideration of market conditions relating to the Company's shares at the date of the grant. The costs of options and RSUs are based on the best available estimate of the number of share options and RSUs expected to vest and are recognized over the related vesting period in profit or loss with a corresponding credit to contributed surplus. Estimates of forfeitures are subsequently revised if there is any indication that the number of share options and RSUs expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period and no adjustment is made to prior periods if share options and RSUs ultimately exercised are different to those estimated on vesting. Compensation costs related to forfeited options are reversed on the forfeiture date provided the underlying options and RSUs have not vested. Contributed surplus related to stock options and RSUs that expire unexercised is reclassified to deficit and remains within the equity section of the consolidated statements of financial position.

When options and RSUs are exercised, proceeds, net of any directly attributable transaction costs, together with the related contributed surplus, are credited to share capital. Options may be "net exercised" whereby the optionee receives the intrinsic value of the option in Company shares without paying the strike price. RSUs do not have a strike or exercise price and the Company issues shares to the holder in the granted quantity upon exercise.

Interest income

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

Investment tax credits

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

Provincial Innovation Employment Grant

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

Income taxes

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

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

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

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. The effect on deferred tax assets or liabilities of a change in tax rates is recognized in profit or loss, unless related to items directly recognized in comprehensive income or equity, in the period that includes the respective enactment date. Deferred tax liabilities are always provided for in full. The carrying amount of a deferred tax asset is reviewed at

the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of the deferred tax assets to be utilized.

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

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

Net income (loss) per share

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

Cash and cash equivalents

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

Property and equipment

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

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

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

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

Intangible assets

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

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

Development costs capitalized are those associated with the Company's SaaS based technology software. Costs associated with major enhancements providing new capability to the product are also capitalized provided they can be reliably measured. Development costs incurred during the research phase of an internal project are expensed in

the period in which they are incurred. Costs associated with maintaining these intangible assets such as minor updates and repairs are expensed as incurred.

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

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

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

Business combinations and goodwill

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

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

Provisions

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

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

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

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

Financial instruments

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

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

i. Financial assets

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

Financial assets at amortized cost

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

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

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

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

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

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

Financial asset at FVPL

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

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

Derecognition of financial assets

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

Impairment of financial assets

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

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

ii. Financial liabilities

Loans and borrowings

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

Impairment testing of long-lived assets

For the purposes of testing for impairment, where the recoverable amount of an asset cannot be determined, the asset is grouped into a cash generating unit ("CGU") which is the lowest level for which there is independent cash inflows. This results in certain assets being tested for impairment individually and others being tested at the CGU level. The Company has determined that it has one CGU. An impairment loss is recognized when the carrying value of the individual asset or CGU exceeds its recoverable amount, which is fair value less costs of disposal or value-in-use. Value in use is determined by discounting the estimated future cash flows of each asset or CGU by an appropriate interest rate to yield the present value. Future cash flows are derived from the Company's latest approved budget, adjusted as necessary to exclude non-repetitive and one-time expenses. Discount factors are determined individually for each CGU reflecting their respective risk profiles.

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

Foreign currency translation

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

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

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

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

Leases

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

Adoption of new amendments of accounting standards

i. 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. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

Effective January 1, 2023, the amendments have been adopted by the Company with $nil impact on the consolidated financial statements.

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

Effective January 1, 2023, 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 believes that it has disclosed all material accounting policies necessary for the users to understand the Company's consolidated financial statements.

4.0 Significant management judgment and estimates in applying accounting policies

i. Judgments

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

Revenue and deferred revenue

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

Software development costs

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

The Company capitalizes certain development costs incurred in connection with its 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.

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

Determination of functional currency

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

Deferred tax assets

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

ii. Estimates

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

Impairment

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

Useful lives of depreciable assets

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

Stock-based compensation

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

Measurement of Expected Credit Losses (“ECL”) allowance for financial assets

The Company uses the expected credit loss model, whereby Company must estimate its ECL at each reporting date to recognize changes in credit risk since initial recognition of the financial assets. At each reporting date, the Company assesses whether financial assets are credit impaired and considers a financial asset to be in default when the indebted party is unlikely to pay its obligations to the Company in full. The Company has elected to consider that default does not occur when a financial asset is 90 days past due provided the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate, and the default risk has not increased. In assessing whether an indebted party is in default, the Company considers indicators that are qualitative (e.g. breach of conditions), quantitative (e.g. overdue status), and data developed internally and obtained from external sources. Inputs into the assessment of whether a financial asset is in default and their significance may vary over time to reflect these circumstances.

Scientific research and experimental development claims

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

5.0 Cash and cash equivalents

	December 31, 2023 $	December 31, 2022 $
Short-term deposits (USD)	602,125	932,187
Short-term deposits (CDN)	110,984	112,022
Interest-bearing deposits	1,339	3,079
Interest bearing investments (CDN)	1,608,079	1,931,772
Interest bearing investments (USD)	2,531,959	1,412,882
Cash and cash equivalents	4,854,486	4,391,942

6.0 Trade and other receivables

	December 31, 2023 $	December 31, 2022 $
Trade receivables	355,206	281,810
Sales tax and other receivables	12,322	10,738
Trade and other receivables	367,528	292,548

7.0 Property and equipment

	Computer equipment $	Office furniture and equipment $	Total $
Cost			
Balance at December 31, 2021	87,112	6,947	94,059
Additions	38,387	-	38,387
Writeoffs	(6,806)	-	(6,806)
Effect of foreign exchange	1,280	-	1,280
Balance at December 31, 2022	119,973	6,947	126,920
Additions	18,062	-	18,062
Balance at December 31, 2023	138,035	6,947	144,982
Depreciation and impairment			
Balance at December 31, 2021	(63,706)	(6,947)	(70,653)
Depreciation	(23,829)	-	(23,829)
Writeoffs	6,806	-	6,806
Effect of foreign exchanges	(841)	-	(841)
Balance at December 31, 2022	(81,570)	(6,947)	(88,517)
Depreciation	(25,717)	-	(25,717)
Effect of foreign exchanges	(208)	-	(208)
Balance at December 31, 2023	(107,495)	(6,947)	(114,442)
Carrying amount			
As at December 31, 2022	38,403	-	38,403
As at December 31, 2023	30,540	-	30,540

8.0 Intangible assets

	Internally generated software $	Acquired software $	Patents and trademarks $	License agreement and customer list $	Total $
Cost					
Balance at December 31, 2021	2,364,063	865,643	19,898	174,672	3,424,276
Addition, separately acquired	-	237,102	-	365,962	603,064
Software development costs capitalized	390,602	-	-	-	390,602
Provincial innovation employment grant received	(30,000)	-	-	-	(30,000)
Effect of foreign exchange	-	(27)	211	-	184
Balance at December 31, 2022	2,724,665	1,102,718	20,109	540,634	4,388,126
Addition, separately acquired	-	-	13,098	-	13,098
Software development costs capitalized	249,092	-	-	-	249,092
Provincial innovation employment grant received	(22,015)	-	-	-	(22,015)
Balance at December 31, 2023	2,951,742	1,102,718	33,207	540,634	4,628,301
Amortization and impairment					
Balance at December 31, 2021	(1,734,946)	(650,806)	(16,221)	(174,672)	(2,576,645)
Amortization	(281,992)	(90,757)	(3,888)	(60,994)	(437,631)
Effect of foreign exchange	-	-	-	(184)	(184)
Balance at December 31, 2022	(2,016,938)	(741,563)	(20,109)	(235,850)	(3,014,460)
Amortization	(193,951)	(130,272)	(745)	(121,990)	(446,958)
Effect of foreign exchange	-	(184)	-	184	-
Balance at December 31, 2023	(2,210,889)	(872,018)	(20,854)	(357,656)	(3,461,418)
Carrying amount					
As at December 31, 2022	707,727	361,155	-	304,784	1,373,666
As at December 31, 2023	740,853	230,700	12,353	182,978	1,166,884

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

Software development costs capitalized for the year ended December 31, 2023 were $249,092, (December 31, 2022 - $390,602) of which $222,871 was salaries and employee benefits and $26,221 was stock-based compensation.

Internally generated software includes development costs of $532,683 capitalized for modules not yet in use at December 31, 2023 (December 31, 2022 - $283,591).

During the year ended December 31, 2023, the Company expensed research and development costs of $1,944,447 (December 31, 2022 - $1,638,120). These costs were included in salaries and employee benefits in operating expenses.

At December 31, 2023, the Company, in accordance with its policy, made the assessment that there were no indicators of impairment of its intangible assets.

9.0 Business acquisition

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

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

- the issuance of 1,828,125 common shares with a fair value of C$511,875 ($0.28 per share based on the closing price of the Company's shares on the TSX Venture Exchange on the acquisition date) of which 609,375 shares become free trading on each of the first-, second- and third-year anniversary of the transaction closing date, and
- four scheduled cash payments (US$50,000 on January 1, 2023, US$91,666 on June 30, 2023, 2024, and 2025) with a fair value of $396,329 on the acquisition date of June 30, 2022.

This acquisition met the definition of a business combination under IFRS 3 and was accounted for using the acquisition method, whereby purchased assets and assumed liabilities are recognized at their acquisition-date fair value. Any difference between the purchase consideration and the net fair value of purchased assets and assumed liabilities was recognized as goodwill. Legal fees of $66,341 related to the acquisition were expensed when incurred. Share issuance costs of $3,098 were applied against the fair value of the shares issued.

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

Assets:	
Property and equipment	$ 12,886
IM customer list	365,962
RIPL software	237,102
	615,950
Liabilities:	
Deferred revenue	(29,616)
Fair value of identifiable net assets	586,334
Goodwill arising from the acquisition	321,869
Purchase consideration at fair value	$ 908,203

10.0 Goodwill

The carrying amount of goodwill is as follows:

	December 31, 2023 $	December 31, 2022 $
Balance, beginning of year	477,562	155,693
Addition from acquisition (Note 9)	-	321,869
Balance, end of year	477,562	477,562

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

The Company performed its annual impairment test as at December 31, 2023 (prior year – December 31, 2022). The recoverable amount of the CIM CGU was determined based on value in use using level 3 discounted future cash flow estimates. These calculations used pre-tax cash flows covering a five-year period based on financial budgets and forecasts approved by management using expected average annual revenue growth of the CIM product in its intended market of 28% (2022 – 33.5%), working capital adjustments based on ratios reported by publicly traded software companies and a risk adjusted discount rate of 29.4% (2022 - 29.4%). The growth rates, working capital ratios, and the discount rate are the key assumptions in the calculation of the value in use. Key assumptions also include budgeted profit margins. No expected efficiency improvements have been considered and changes to prices and wages reflect forecasts of inflation for the Company.

The recoverable amount of the CIM CGU exceeded its carrying amount. The Company believes the recoverable amount is most sensitive to the risk-adjusted discount rate and the planned growth in revenue. If the risk adjusted discount rate were to exceed 145.8% (2022 – 107.7%) for the CIM CGU, or if the planned revenue growth were to decrease by 29.0% (2022 – 15.2%) for the CIM CGU, the CGU's carrying amount would exceed its recoverable amount and the Company would record an impairment charge.

11.0 Deferred revenue

	December 31, 2023 $	December 31, 2022 $
Balance, beginning of year	2,103,616	1,183,673
New prepayments from customers	7,938,519	5,030,048
Applied or consumed	(7,596,651)	(4,279,388)
Effect of foreign exchange	(79,935)	169,283
Balance, end of year	2,365,549	2,103,616

Deferred revenue represents prepayments from customers for the right to access and use the Company's software in the next twelve months.

12.0 Share capital

Share capital represents the nominal value of common shares that have been issued. Cumulative transaction costs of $1,296,463 incurred as of December 31, 2023 (December 31, 2022 - $1,296,463) associated with the issuing of shares are deducted from share capital, net of any related income tax benefits.

Authorized

Unlimited number of common shares with no par value

Unlimited number of preferred shares with no par value

Common shares

On June 30, 2022, the Company issued 1,828,125 common shares at a market price of $0.28 per share with a total fair market value of $511,875 to acquire IM Operations from MESA Products, Inc. One third of these shares (609,375) become free trading on each of the first-, second- and third-year anniversary of the transaction closing date (Note 9).

Preferred shares

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

There are no preferred shares outstanding.

Security compensation plan

On May 23, 2023, the Company adopted a new Omnibus Security Compensation Plan ("Plan"). 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 Exercise 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 Restricted Share Units and other forms of incentive stock compensation up to a fixed 10% of the issued and outstanding shares of the Company on the date the Plan was approved by the disinterested shareholders. All outstanding stock options at the time of the adoption of the new Plan were automatically accepted into the new Plan. The Plan was approved by the TSX Venture Exchange on June 5, 2023.

Stock options granted, exercised and outstanding

Stock options have been issued to directors, employees and consultants with vesting periods of immediate to three years and terms of three to five years at prices reflective of the trading price of the Company shares on the TSX Venture Exchange at time of grant. On December 31, 2023, the maximum number of stock options that may be granted was 12,208,156 (December 31, 2022 – 12,066,694). The number of options available under the Plan for granting purposes as at December 31, 2023 was 1,406,152 (December 31, 2022 - 960,359).

	December 31, 2023		**December 31, 2022**	
	Number of stock options #	**Weighted average exercise price $**	**Number of stock options #**	**Weighted average exercise price $**
Outstanding, beginning of year	11,106,335	0.52	10,441,667	0.55
Granted	3,239,007	0.63	3,252,000	0.36
Exercised	(710,835)	0.47	(374,667)	0.27
Net exercised	(2,541,835)	0.45	-	-
Forfeited/Cancelled	(224,000)	0.48	(1,320,665)	0.48
Expired	(66,668)	0.63	(892,000)	0.43
Outstanding, end of year	10,802,004	0.57	11,106,335	0.52
Exercisable, end of year	6,505,016	0.55	7,150,014	0.55

Options Outstanding					**Options Exercisable**	
As at	**Exercise price $**	**Outstanding number of stock options #**	**Weighted average exercise price $**	**Weighted average remaining contractual life in years #**	**Exercisable number of stock options #**	**Weighted average exercise price $**
December 31, 2023	0.28 – 0.48	2,712,998	0.37	3.16	1,755,012	0.38
	0.49 – 0.55	2,250,000	0.50	2.82	1,600,000	0.50
	0.56 – 0.65	3,249,999	0.62	2.15	2,500,004	0.62
	0.66 – 0.92	2,589,007	0.78	3.33	650,000	0.90
December 31, 2023		10,802,004	0.57	2.83	6,505,016	0.55
December 31, 2022	0.21 – 0.48	4,489,667	0.38	3.00	1,950,002	0.41
	0.49 – 0.55	2,100,000	0.50	1.69	2,100,000	0.50
	0.56 – 0.65	3,816,668	0.62	2.98	2,400,012	0.61
	0.66 – 0.92	700,000	0.90	1.43	700,000	0.90
December 31, 2022		11,106,335	0.52	2.65	7,150,014	0.55

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

	December 31, 2023	December 31, 2022
Weighted average grant price	$0.65	$0.36
Risk-free interest rate	3.97%	3.13%
Expected volatility	68.50%	69.13%
Expected dividend yield	Nil%	Nil%
Expected life (years)	3.74	3.73
Expected forfeiture rate	11.84%	9.82%
Weighted average fair value	$0.34	$0.19

Restricted share units ("RSUs") granted and outstanding

During the year ended December 31, 2023, the Company granted 2,729,000 RSUs for employee retention purposes. The RSUs vest equally over 3 or 5 years on the grant anniversary date. A vested RSU can be exchanged for one common share. Under the approved Plan, the Company is allowed to issue up to 12,103,331 incentive compensation units. The number of incentive compensation units available to grant at December 31, 2023 was 9,374,331.

The fair value of the RSUs granted was determined using the same valuation method as the Company's stock options. Assumptions used for the valuation are as follows:

	December 31, 2023
Weighted average grant price	$0.00
Risk-free interest rate	4.46%
Expected volatility	70.48%
Expected dividend yield	Nil%
Expected life (years)	3.86
Expected forfeiture rate	12.37%
Weighted average fair value	$0.75

Stock-based compensation expense

Stock based compensation in respect of stock options and RSUs for the year ended December 31, 2023 was $954,720 (December 31, 2022 - $618,952), of which $928,499 was expensed and $26,221 was capitalized as software development costs.

13.0 Segmented reporting

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

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

	Year ended December 31, 2023 $	Year ended December 31, 2022 $
Primary geographical markets		
U.S.A.	9,979,175	6,603,492
Canada	264,371	243,247
Australia	148,465	41,833
	10,392,011	6,888,572
Major services:		
Subscriptions to use software	8,253,822	5,739,727
Software related services	2,100,204	1,136,077
Software licensing and production trials	37,985	12,768
	10,392,011	6,888,572
Production software		
Cognitive Integrity Management	8,734,213	6,051,939
IM Operations	1,657,798	836,633
	10,392,011	6,888,572
Timing of revenue recognition		
Services transferred over contract term	7,293,742	4,612,073
Services transferred at a point in time	3,098,269	2,276,499
	10,392,011	6,888,572

The Company earned revenue from three customers, each of whom comprised greater than 10% of its revenue. During the years ended December 31, 2023 and 2022, revenue from these customers was as follows: customer A $1,312,442 (December 31, 2022 - $1,237,720); customer B $1,661,269 (December 31, 2022 - $1,119,078) and customer C $1,804,530 (December 31, 2022 - $958,673). The amount receivable from these customers on December 31, 2023 was $124,309 (December 31, 2022 - $112,267).

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

	December 31, 2023 $	December 31, 2022 $
Canada		
Property and equipment	22,998	23,062
Intangible assets	1,166,884	1,373,666
Goodwill	477,562	477,562
Total Canada	1,667,444	1,874,290
United States		
Property and equipment	7,542	15,341
Total United States	7,542	15,341
Consolidated total	1,674,986	1,889,631

14.0 Direct costs

For the years ended December 31, 2023 and 2022, direct costs consisted of the following:

	Year ended December 31, 2023	Year ended December 31, 2022
	$	$
Cloud platform hosting fee	614,745	506,287
Royalty expenses	680,422	648,827
Salaries and employee benefits	1,193,444	798,675
Other	66,000	24,340
Total direct costs	2,554,611	1,978,129

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

15.0 Income tax expense

(a) Income tax expense

	Year ended December 31, 2023	Year ended December 31, 2022
	$	$
Current tax expense (recovery)		
Current year	-	-
Deferred tax expense (recovery)		
Origination and reversal of temporary differences	(97,284)	(521,853)
Change in tax rates and rate differences	-	-
Change in unrecognized deductible temporary differences	97,284	521,853
Income tax expense (recovery) reported in the consolidated statements of loss and comprehensive loss	-	-

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

(b) Recognized deferred tax assets and liabilities

	Year ended December 31, 2023 $	Year ended December 31, 2022 $
Income tax recovery at statutory rate of 23.0% (2022 - 23.0%)	(314,426)	(683,595)
Increase resulting from:		
Non-taxable items	166,858	118,076
Change in unrecognized deferred tax assets	97,284	521,853
Change in tax rates and rate differences	-	-
Effect of tax rate in foreign jurisdictions	50,284	43,666
Income tax recovery	-	-

Deferred tax assets are attributable to the following:

	December 31, 2023 $	December 31, 2022 $
Tax loss carryforwards	209,894	202,257
Deferred tax assets	209,894	202,257
Set off of tax	(209,894)	(202,257)
Net deferred tax asset	-	-

Deferred tax liabilities are attributable to the following:

	December 31, 2023 $	December 31, 2022 $
Intangible assets	(194,617)	(195,545)
Prepaid expenses and deposits	(11,633)	-
Property and equipment	(3,644)	(6,712)
Deferred tax liabilities	(209,894)	(202,257)
Set off of tax	209,894	202,257
Net deferred tax liability	-	-

(c) Unrecognized deferred tax assets

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

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

	December 31, 2023 $	December 31, 2022 $
Deductible temporary differences	4,524,055	2,841,831
Non-capital loss carryforwards	13,579,616	14,798,715
	18,103,671	17,640,546

(d) Scientific research and experimental development investment tax credits (“ITCs”)

The Company has available to it $1,428,289 (2022 - $1,085,730) ITCs to offset future federal income taxes payable. The ITCs will begin to expire in 2038. The deferred tax benefit associated with the ITCs has not been recognized in the consolidated financial statements.

16.0 Loss per share

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

	December 31, 2023 #	December 31, 2022 #
Weighted average shares outstanding-basic	121,391,760	119,597,891
Weighted average shares outstanding-diluted	121,391,760	119,597,891

	December 31, 2023 $	December 31, 2022 $
Net loss	(1,367,068)	(2,972,154)
Net loss per share:		
Basic	(0.01)	(0.02)
Diluted	(0.01)	(0.02)

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

	December 31, 2023 #	December 31, 2022 #
Issued:		
Stock options	10,802,004	11,106,335
Restricted share units	2,729,000	-

17.0 Financial instruments

17.1. Categories of financial instruments

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

Financial assets	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

Financial liabilities	December 31, 2023 $	December 31, 2022 $
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

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 repayments and period end exchange rate.

17.2. Financial instrument risks

Risk management objectives and policies

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

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

17.2.1 Foreign currency sensitivity

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

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

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

	December 31, 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 expenses	(600,472)	(440,672)
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 rate.

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.

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:

	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 considered to be representative of the Company's exposure to currency risk.

17.2.2 Interest rate sensitivity

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

The following table illustrates the sensitivity of profit and equity to a reasonably possible change in interest rates of +/- 1% (December 31, 2022: +/- 1%). These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each year, 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

17.2.3 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 trade and other receivables was as follows:

			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 60 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 have no risk of not being collected.

17.2.4 Liquidity risk analysis

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

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

The Company's financial liabilities 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 (see note 17.2.3) exceed its current cash outflow requirements. Cash flows from trade and other receivables are contractually due within two months.

18.0 Capital management policies and procedures

The Company is managing its capital structure to provide sufficient capital to maintain its current operations and to continue with the development of new and existing products. The Company's capital consists of equity, cash and cash equivalents and accounts receivable. Cash is managed by selling software subscriptions for cash or invoiced with short credit terms and actively collecting accounts receivable. Company policy precludes any investment into financial instruments offered by banks or other institutions where the principal may be at risk. Financial information is reviewed regularly by Company management and is overseen by the Board of Directors. As at December 31, 2023, cash and cash equivalents balances were $4,854,486 (December 31, 2022 - $4,391,942) and equity was $3,081,176 (December 31, 2022 - $3,085,868). The Company is focused on increasing its revenue.

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

19.0 Related party transactions

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

Key management and Board remuneration consisted of the following:

	Year ended December 31, 2023	Year ended December 31, 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 consolidated statements of loss and comprehensive loss relating to the identified key management personnel and directors. Included in accounts payable and accrued expenses is $189,036 (December 31, 2022 – $204,313) due to these related parties.

20.0 Commitment

In December 2017, the Company and a major customer entered into a contract to transform the customer's on-premise pipeline asset management software to a remote-access SaaS software application to be offered to customers. The contract successfully concluded in December 2018. The Company provisionally owns the software, which will become absolute provided minimum royalties of U.S. $2.25 million are paid based on revenue generated by rights to use the components of the software in the ten-year period ending December 20, 2027. As of December 31, 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.

21.0 Settlement of legal action

On May 10, 2023, OBS CA settled a Statement of Claim ("Lawsuit") it had filed against Cylo Technologies Incorporated and its principals ("Cylo"). The terms of the settlement include discontinuance of the Lawsuit on a without costs basis, the assignment to OBS CA of two Patents and one Patent Application registered by Cylo which embodied portions of past generation OBS CA technology, payment by Cylo of $39,375 including GST in settlement of unpaid royalties, non-competition and non-solicitation agreements, cancellation of the prior Software License Agreement and adoption of a replacement agreement which allows Cylo to continue to use OBS CA past-generation technology.

22.0 Letter of Credit Facility

The Company is in the process of contracting with a potential foreign customer and is required to provide 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 ("LCs") in lieu of the bonding. 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 from 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 a third party as collateral for the credit facility and purchased insurance from the same party to insure against any unauthorized draws from the LCs by the customer.