



Q1
2019

Management's Discussion & Analysis
Three months ended March 31, 2019 and three
months ended February 28, 2018

This Management's Discussion and Analysis is dated May 22, 2019.

CHANGE IN YEAR-END: COMPARATIVE INFORMATION

Effective in 2018, the Company changed its financial year-end from February 28 to December 31. The change in year-end resulted in the Company filing a one-time, ten-month transition year financial statement for the period of March 1, 2018 to December 31, 2018. Subsequent to the transition year, the Company's financial year will be the period from January 1 to December 31.

The information presented in this Management's Discussion and Analysis ("MD&A") is for the three-months ended March 31, 2019 ("Qtr. ended Mar. 31, 2019") and the three-month financial period ended February 28, 2018 ("Qtr. ended Feb 28, 2018").

INTRODUCTION

OneSoft Solutions Inc.'s Management's Discussion and Analysis of the results of operations, cash flows and financial position as at March 31, 2019, should be read in conjunction with the unaudited interim condensed consolidated financial statements for the three months ended March 31, 2019, the audited consolidated financial statements for the period ended December 31, 2018 and the Management's Discussion and Analysis for the One Month and Ten Months ended December 31, 2018. The financial statements and additional Company information are available to view on www.sedar.com. References in this MD&A to "OneSoft", the "Company", "OSS", "us", "we", and "our" mean OneSoft Solutions Inc. and its subsidiaries, unless the context otherwise suggests.

The Company's consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and include the accounts of OSS and its four wholly-owned subsidiaries: OneBridge Solutions Inc., OneBridge Solutions, Inc. (together, "OneBridge") OneCloudCo Limited and CloudCo Solutions Inc. All figures presented in this MD&A are in Canadian dollars unless otherwise specified.

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

This MD&A contains forward-looking information based on certain expectations, projections and assumptions. This information is subject to many risks and uncertainties, many of which are beyond the Company's control. Users of this information are cautioned that actual results may differ materially from any forward-looking information. Readers are directed to the "Risks and Uncertainties" on page 11 of Management's Discussion and Analysis for the One Month and Ten Months ended December 31, 2018 and to the "Advisory Regarding Forward Looking Information" on page 10.

QUARTER HIGHLIGHTS

Highlights for the first quarter of fiscal year ending December 31, 2019 ("Fiscal 2019") include the following:

- On [January 7, 2019](#) the Company announced that two new clients, including one industry Super-major¹, adopted Cognitive Integrity management ("CIM") solutions for long term use. Management considers the addition of the Super-major client to be a notable event, because of the stringent vulnerability assessment testing conducted by this client prior to choosing to use our solutions. We believe the credibility associated with engaging this client may assist to positively influence adoption of OneBridge solutions by other prospective customers in the future.
- On [February 20, 2019](#) the Company announced that a subsidiary of a large conglomerate that operates pipelines situated primarily in the mid-west U.S.A. and Texas had adopted CIM for long term use. The Client is working with us to develop the most advanced cloud computing platform leveraging machine learning and data science for the integrity management of pipelines. The Client engaged in a Pilot Project using OneBridge CIM 2.0 in September 2017 and participated in the CIM 3.0 Private Preview program in 2018. The Client intends to initially operate CIM enterprise-wide in parallel with its internal systems, with a view of ultimately adopting CIM as its primary solution to manage its pipeline infrastructure later this year.
- On [March 25, 2019](#) the Company announced another Fortune 500 client addition, which increases pipeline data miles under multi-year contract for CIM SaaS services to approximately 51,000.
- As a result of these recent sales, the Company's client list increased during Q1 from two clients as at December 31, 2018 to six clients as at March 31, 2019, which now include one independent pipeline operator, four Fortune 500 companies, and one industry Super-major¹. These clients collectively operate approximately 51,000 miles of oil and gas pipeline infrastructure for which we anticipate data will be ultimately be loaded into CIM on a staged timing basis. For historical comparison and context, during 2018, one of the Company's clients loaded and processed approximately 10,000 miles of pipeline data in CIM for 12 months while the second client loaded approximately 3,000 miles of pipeline data for a portion of 2018.

- On [February 22, 2019](#) the Company announced that it was ranked the fourth highest top performer in the Technology sector on the TSX Venture Exchange, comprising part of the 2019 *TSX Venture 50* list. The list includes 10 companies from each of five industry sectors with selection criteria based on three equally weighted factors: OneSoft recorded market capitalization growth of 136% over the prior year, traded 29,408,991 shares during 2018, and the Company's share price increased 96% year over year.
- Revenue for the quarter ended March 31, 2019 more than doubled over last year to \$592,302, increasing from \$283,202 for the 3-month period ended February 28, 2018. Direct costs increased commensurately, to \$79,865 (13.5% of revenue) this year from \$33,417 (11.8% of revenue) last year. The net comprehensive loss of \$967,391 increased slightly from last year figure of \$964,462.
- Cash at quarter end this year increased to \$2,635,007, from \$2,015,428 at February 28, 2018.

¹ Super-majors are considered to be amongst the seven largest oil and gas pipeline companies world-wide.

BUSINESS OUTLOOK

OneSoft is now transitioning from R&D to revenue generation from CIM, its first commercial software-as-a-service solution. Revenue from CIM is expected to increase over time, dependent upon two factors: (a) the pace at which current clients load and process data for their pipelines; and (b) commensurate with the pace of adoption of CIM by prospective new clients. Management is optimistic that the Company is well positioned to successfully cross the "market adoption chasm" that disruptive new technologies typically experience in their quest to garner market share (refer to Company's [FYE February 28, 2018 MD&A](#), page 10 for further explanation). We believe the user experiences and validations of our solutions by our early adopter clients are now resonating positively within the U.S.A. marketplace, which serves to boost confidence and encourage wider industry acceptance of our innovative machine learning technologies and processes to replace legacy systems that serve the industry today.

As was disclosed in the prior MD&A ([for the One Month and Ten Months ended December 31, 2018](#)) the Company stated its intention to accelerate R&D efforts beyond the evolution of CIM functionality, once client interest for participation and appropriate funding resources have been investigated and arranged. Following the recent capital raise completed in April, 2019 (refer to the "Subsequent to Period End" section later in this document), the Company is now taking steps to accelerate its R&D efforts, essentially (a) to increase revenue potential from current and prospective clients; and (b) to increase the Company's technological lead over potential competitors.

Increase Potential Revenue Through Economic Consumption of CIM Functionality

Our clients and prospective clients continue to identify opportunities to enhance functionality, which we believe can serve to increase CIM revenues based on our SaaS economic consumption revenue model. Additionally, we anticipate that certain new CIM functionality will assist us to streamline and automate on-boarding of new clients more efficiently, which also serves to increase revenue opportunities.

Evolution of CIM Solution to CIM Platform

The use of our SaaS solutions by prospective and commercial users of CIM have generated important insight regarding the high value of maintaining a single company data platform and repository, wherein multiple processes and functions can be performed across multiple departments within a pipeline company, as compared to departmentally "siloes" processes that typically characterize pipeline operations today.

To date we have processed data for tens of thousands of miles of pipeline involving more than 30 million features, which has now been incorporated as learnings in multiple iterations of our machine learning algorithms. We believe this work represents unique and unparalleled analyses, and that even the largest of pipeline operators and industry inspection tool ("PIG") vendors are not able to replicate the diverse learnings gleaned from multiple companies' data that have now been absorbed into our proprietary algorithms.

We intend to transform CIM from a *solution* to a CIM *platform* to which we can add various new software modules to address more functionality requirements of our clients, which we believe will allow us to monetize the cognitive learnings we have derived from our analyses of data to oil and gas ("O&G") pipeline clients. This initiative involves development of new probabilistic risk models, designed to operate in accordance with future regulatory guidance requirements prescribed by the Pipeline and Hazardous Materials Safety Administration ("PHMSA"), the U.S.A regulator of hazardous pipeline operations. This development will involve incorporation of additional datasets into the CIM platform and leveraging of data science and machine learning techniques to simulate and improve upon certain Monte Carlo methodologies that are used within the industry today. Similar to the CIM 3.0 development sprint we conducted in 2018, we will follow "*The Lean Start-up*" software development model, wherein client and prospect feedback will drive functionality and development priorities and a minimally viable (revenue generating) product will be developed as soon as practical. Some of our clients who understand the benefits of transforming CIM to a platform have expressed potential interest in contributing collaborative user input and/or other resources to develop these new algorithms as part of the CIM platform.

We believe that the new algorithms, when completed as envisioned, will increase the potential total addressable market ("TAM") for the Company's products. Whereas the "sweet spot" for CIM revenues today is associated with the 660,000 miles of U.S.A O&G pipeline infrastructure that currently has inline inspection ("ILI") data that has been gathered over the past few decades by pipeline inspection ("PIG") tools, we anticipate that our solutions will ultimately have capability to generate additional revenues associated with the approximate 2.1 million miles of U.S.A. O&G pipelines for which ILI data does not exist ("unpiggable" pipelines). Unpiggable pipelines are currently managed using "direct assessment" techniques, which involves analyses of different data sets, excluding ILI (PIG) data. We believe that by integrating ILI data with other data sets (e.g., cathodic protection, types of pipe steel, coating, soil, etc.) we will be able to develop and market innovative new solutions that can accommodate direct assessment analyses and management functions that operators must address to maintain operational compliance as mandated by PHMSA.

We believe that new technology development will increase the potential TAM for OneSoft's solutions, by increasing the potential revenue base to also apply to the 2.1 million miles of unpiggable pipelines, rather than just the 660,000 miles of piggable pipe that can be addressed with current CIM functionality. These pipeline mileage metrics reflect the U.S.A. O&G infrastructure only, which we estimate comprises approximately 60% of the total global infrastructure. Revenue from new solutions will be incremental to CIM revenues, supporting our expectation that revenue per data mile metrics can be increased once this new planned functionality is commercialized in the future.

New Technology Development is Anticipated to Increase Our Competitive Moat

We believe that OneSoft's "first mover" advantage in having developed and commercialized the first O&G pipeline integrity management solutions based on cloud computing, machine learning and data science is highly beneficial from a competitive go-to-market perspective. We believe that potential competitors who might embark on development of similar CIM type functionality will likely face formidable obstacles to catch up to and displace OneSoft solutions. Such competitors will first need to assemble data science development teams, establish collaborative technology and sales relationships with companies like Microsoft, expend millions of dollars to develop their solutions, identify and engage private preview software users and then execute extensive product validation efforts, before their solutions will be embraced by clients. OneSoft has required more than three years to evolve CIM from a "vision" to an industry-validated solution, which occurred only after we invested in and pioneered cloud computing fundamentals necessary to commence CIM development. Furthermore, we had a unique opportunity to garner significant benefits by participating in Microsoft's first Accelerator program for machine learning and data science that other competitors did not nor will have access to. Furthermore, we believe that the unusual opportunity to collaborate with Phillips 66 to integrate their software intellectual property ("IP") into CIM has also served to catapult our technological lead, which we estimate has reduced our development efforts to achieve current functionality by a further 3 years at minimum.

We believe the enormity of replicating our technology and solutions dissuades most current industry vendors who provide legacy competitive products from embarking on such an extensive project. Development costs would be very significant, and we believe a probable time-line scenario of 5 years or more would likely be required to replicate OneSoft's IP as it exists today, from initial development to market validation by clients. We believe that, providing we continue to pursue cutting-edge R&D initiatives, it will likely be difficult for any new entrant to catch up to OneSoft and deliver superior solutions, because of our significant head start regarding the technology, client and business advancements we have achieved.

Operational Expectations – Fiscal 2019 and Beyond

Because the Company has completed its initial R&D phase for CIM and is now in a position to focus on revenue generation from it, Management will now accelerate the development of additional new technology and solutions that are accretive to CIM and will appeal to CIM clients and prospective customers. This acceleration of technology advancement justifies the capital raise completed in April 2019, as it provides the resources necessary to fund the new products which, we believe, will ultimately contribute to increased value for shareholders.

We believe that OneSoft is positioned as the machine learning technology leader within our markets today, and that we will be able to maintain this lead. We are not aware of any other machine learning solutions today that rival CIM's capabilities, nor are we aware of any potential competitors that are anywhere close to releasing a competing product based on machine learning and cloud computing. However, we believe that competitors who service the industry with legacy systems today are aware of the disruption we are causing with machine learning and are developing their own plans to advance their technology – thus, our need to accelerate and advance our lead.

We believe that our efforts to date have positioned the Company to evolve the CIM platform for future opportunities to commence significant revenue growth. We anticipate that revenue associated with CIM clients will increase in Fiscal 2019, and that other potential revenue derived from solution trials will continue to be sporadic, in accordance with historic experience.

New R&D sprints commenced in Fiscal 2019 are not expected to complete in Fiscal 2019 and similar to the CIM 3.0 project a portion of the related development costs may potentially be funded by early-adopter customers. Recognition of revenue associated with these development sprints, if any, is not likely to occur until at least Fiscal 2020.

MANAGEMENT'S DISCUSSION & ANALYSIS THREE MONTHS ENDED MARCH 31, 2019

Management's intention is to utilize its cash to fund the development of these new algorithms, to enhance marketing and sales efforts and initiatives, and for general corporate purposes. The investment in new product development is expected to result in operational losses, until such time as minimally viable products can be commercialized, after which revenue generation can commence. Management believes that cash from the recent financing coupled with revenue generation from CIM will be sufficient to fund the accelerated technology development and grow the business as envisioned.

In summary, the Company's strategies, business, technology and operational plans for Fiscal 2019 have all been crafted to increase shareholder value through achievement of two key objectives – i.e., advancing our technological lead and [competitive moat](#), and increasing market potential and revenues.

SUBSEQUENT TO PERIOD END

Notable events subsequent to the Q1 fiscal period ended March 31, 2019 include the following:

- On April 1, 2019 management presented to potential investors at the Spring Investor Summit at Essex House in New York City, as part of an ongoing initiative to familiarize investors and followers regarding OneSoft.
- On [April 4, 2019](#) the Company announced an \$8 million Bought Deal Financing, with an over-allotment option for \$1.2 million.
- On [April 9, 2019](#) the Company filed a Preliminary Short Form Prospectus in connection with the Bought Deal Financing.
- On [April 17, 2019](#) the Company filed a Final Short Form Prospectus in connection with the Bought Deal Financing.
- On [April 25, 2019](#) the Company closed the \$9,200,000 Bought Deal Financing, which included fulfillment of the over-allotment option, and issued 11,500,000 common shares at \$0.80 per share. Institutional investor participation accounted for approximately 75% of the financing. Refer to page 7 of this document for more details regarding this financing.
- The Company formalized its roadmap for its accelerated technology development plan and initiated efforts to commence the development sprints.

SUMMARY OF QUARTERLY RESULTS

For the Fiscal Quarters ended:

	Q1 2019	Ten months ended December 2018					FY 2018	
(\$ 000's, per Share in Dollars)	Mar 31	Dec 31	Nov 30	Aug 31	May 31	Feb 28	Nov 30	Aug 31
Revenue	592	3,137	509	389	293	283	260	238
Gross profit	512	3,132	394	337	280	250	216	238
Expenses (net of software development costs capitalized)	1,183	602	1,135	1,051	1,014	820	869	1,030
Comprehensive (loss) income	(967)	2,529	(738)	(729)	(767)	(964)	(629)	(786)
Basic and diluted loss per share:	(0.01)	0.03	(0.01)	(0.01)	(0.01)	-	(0.01)	(0.01)

Quarter ended March 31, 2019 compared to three months ended February 28, 2018

Revenue and Gross Profit

	March 31, 2019	February 28, 2018	Change	
	\$	\$	\$	%
CIM Revenue	576,880	245,487	331,393	135.0
Other revenue	15,422	37,715	(22,293)	(59.1)
Total Revenue	592,302	283,202	309,100	109.1
Direct costs	79,865	33,417	46,448	139.0
Gross profit	512,437	249,785	262,652	105.2
Gross margin	86.5%	88.2%	-1.7%	(1.91)

CIM revenue increased due to the Company having added five new customers since February 28, 2018 and customer loading of more pipeline assessments in the current period versus the comparative one. Other revenue in the current period occurred as a result of the Company recognizing final milestone payments on Pilot Projects. In the comparative period, one Pilot project was completed for which revenue was recognized.

MANAGEMENT'S DISCUSSION & ANALYSIS THREE MONTHS ENDED MARCH 31, 2019

Direct costs in the quarter ended March 31, 2019 consisted of costs of the Azure cloud platform used to generate revenue, royalty expense related to components of the CIM 3.0 product and staff time assisting clients with the use of CIM. In the comparative quarter, the only direct cost was staff time. Staff time in the current quarter was much less than in the comparative period due to improvements made to the CIM product and clients requiring less assistance.

Gross profit increased due to the increase in revenue. The reduction in staff time allowed the gross margin to be very similar to the comparative quarter despite the advent of the other expenses.

Expenses:

	March 31, February 28,		Change	
	2019	2018		
	\$	\$	\$	%
Salaries and employee benefits	813,459	644,866	168,593	26.1
Sales and marketing	195,677	97,619	98,058	100.4
General and administration	173,730	77,828	95,902	123.2
	1,182,866	820,313	362,553	44.2
Software development costs capitalized	-	(32,390)	32,390	(100.0)
Operating expenses, net of costs capitalized	1,182,866	787,923	394,943	50.1

Salaries and employee benefits expense is comparatively higher due to the addition of new employees and selective wage increases being granted.

Two factors caused general and administrative expenses to rise. Costs for use of the Microsoft Azure computing platform for all internal development increased by \$63,761 in the current quarter. In the comparative quarter, these costs were being absorbed by a Microsoft grant which was a benefit gained from the Company's participation in the Microsoft Ventures Accelerator program in 2016. Offsite staff meetings held to plan the technology roadmap and to set corporate strategy caused expenses to increase by \$32,770.

Several sales and marketing activities caused expenses to rise. The engagement of a consulting firm started late in calendar 2018 to assist in setting sales strategy created expense of \$52,068 in the current quarter. The Company attended several trade shows and promoted the Company at investor meetings and conferences causing an increase in expense of \$30,789. Maintaining a constant presence in Houston, a key target customer market, caused expense to increase by \$13,290.

In the current period, the product development team initiated the merger of CIM 2.0 and CIM 3.0 which, with the addition of new planned functionality, will create a CIM 4.0 product. At this stage of development, no costs qualified for capitalization in the current quarter. In the comparative quarter, CIM 2.0 was completed and the development costs incurred in that period were capitalized.

Other income (expense):

	March 31, February 28,		Change	
	2019	2018		
	\$	\$	\$	%
Stock based compensation	(152,355)	(101,629)	(50,726)	49.9
Impairment of internally generated software	-	(254,601)	254,601	(100.0)
Amortization of intangible assets	(94,527)	84,291	(178,818)	(212.1)
Impairment of goodwill	-	(51,898)	51,898	(100.0)
Revaluation of contingent consideration	-	(94,072)	94,072	(100.0)
Depreciation of property and equipment	(4,483)	(4,465)	(18)	0.4
Interest income	6,601	-	6,601	100.0
Foreign exchange gain (loss)	700	(2,165)	2,865	(132.3)
Loss on disposal of Capital assets	-	(1,785)	1,785	(100.0)
	(244,064)	(426,324)	182,260	(42.8)

Stock compensation expense increased due to new stock option grants having been made to new and existing employees and to an investor relations firm engaged by the Company.

On February 28, 2018, intellectual property developed for the Pipeline Public Awareness market was declared impaired creating expense of \$254,601 due to the Company having withdrawn from that market for now to focus on pipeline integrity. A related adjustment was made to amortization in the comparative period.

MANAGEMENT'S DISCUSSION & ANALYSIS THREE MONTHS ENDED MARCH 31, 2019

Last year, due to the Public Awareness products being impaired, the Company wrote down a portion of its goodwill by \$51,898. Also, at this time last year, the increase in the trading price of the Company's shares caused the value of the contingently issued shares to increase creating expense of \$94,072. There were no similar expenses this period.

Net loss

In the current quarter, the increase in revenue and gross profit was absorbed by the increase in expenses and the net comprehensive loss was \$967,391, nearly identical to the net comprehensive loss of \$964,462 in the comparative quarter.

FINANCIAL CONDITION & LIQUIDITY

	March 31, 2019 \$	February 28, 2018 \$	Change \$	%
Net comprehensive loss	(967,391)	(964,462)	(2,929)	0.3
Items not involving cash	251,366	421,935	(170,569)	(40.4)
Funds used in operations	(716,025)	(542,527)	(173,498)	32.0
Working capital changes	1,351,111	2,156,220	(805,109)	(37.3)
Cash provided by operating activities	635,086	1,613,693	(978,607)	(60.6)
Cash flow provided by financing activities	(8,503)	1,568,809	(1,577,312)	(100.5)
Cash flow used in investing activities	(7,004)	(35,554)	28,550	(80.3)
Net change in cash	619,579	3,146,948	(2,527,369)	(80.3)
Cash, beginning of period	2,015,428	518,749	1,496,679	288.5
Cash, end of period	2,635,007	3,665,697	(1,030,690)	(28.1)

In the current fiscal period, the Company generated cash of \$1,351,111 by reducing its working capital accounts by collecting a large accounts receivable arising from a software development project which completed in December 2018. In the same period, cash and deferred revenue increased by \$204,743 from new contracts and deferred revenue decreased by \$347,168 due to the consumption of CIM by customers and the recognition of associated revenue. Funds used in operations increased by \$173,498 versus the comparative period as the Company increased its activities to grow its business, and it had less non-cash items than in the comparative period.

The Company signed a contract with a new customer in March 2019. IFRS accounting standard preclude the recognition of the accounts receivable and the related deferred revenue until the later of its due date or when a good or service has been transferred to the customer. As neither of those events had transpired as at March 31, 2019, those amounts do not appear on the balance sheet. The customer has commenced use of CIM in April 2019 and a prepayment for services to be rendered in the future of approximately Cdn \$2 million was received in May 2019.

In the period ended February 28, 2018, shareholders exercised their warrants and a small number of stock options were exercised by employees generating cash of \$1,568,809. The warrants were the last of those issued in Private Placement financings completed in 2015 and 2016 and had expiry dates in March 2018. As no warrants were outstanding after March 2018, cash was not similarly raised in the period ended March 31, 2019.

On March 31, 2019, the Company had \$2,635,007 cash and no debt. Subsequent to the quarter, the collection of the large account receivable noted above and the completion of the financing in April 2019 increased cash to approximately \$12.7 million as at the publish date of this MD&A.

New Financing

On April 25, 2019, the Company closed a bought-deal financing by way of a short form prospectus (the "Offering"), and issued 11,500,000 common shares at \$0.80 per share to raise gross proceeds of \$9,200,000. The Offering was underwritten by Clarus Securities Inc., as lead underwriter and sole bookrunner, on behalf of a syndicate of underwriters that included Cormark Securities Inc. and Beacon Securities Limited. In consideration for their services, the syndicate of underwriters received cash commissions equal to 6% of the gross proceeds of the Offering and broker warrants equal to 6% of the common shares sold pursuant to the Offering. Each broker warrant entitles the holder thereof to purchase one common share at a price of \$1.00, for a period of 12 months following the Offering's closing date.

The net proceeds after all related expenses are expected to be approximately \$8.3 million from the Offering and will be used by the Company to accelerate new product development, marketing and sales initiatives, and for working capital and general corporate purposes.

Total Assets

Total assets of the Company as at March 31, 2019 were \$4,334,178, a decrease of \$1,096,488 from assets of \$5,430,666 as at December 31, 2018. Cash increased \$1,335,604 due to the collection of a large accounts receivable created when a development

project completed in December 2018 and \$716,025 of cash was used to fund operations. Accounts receivable decreased by \$1,648,915 in the period primarily due to that collection. The carrying value of the Company's intangible assets and equipment decreased by \$99,011 due to amortization and depreciation and new software of \$7,004 was acquired.

Total Liabilities

Total liabilities were \$1,136,961 as at March 31, 2019, a decrease of \$272,949 from their value as at December 31, 2018. Accounts payable reduced by \$121,786 as vendors were paid. Deferred revenue increased by \$204,743 due to new contracts for CIM usage being signed and the recognition of CIM usage by customers decreased deferred revenue by \$347,168. Deferred revenue increased by \$8,738 due to the increase in the U.S. dollar foreign exchange rate.

Commitment

The Company is committed to pay minimum royalties of U.S. \$2.25 million over a ten-year period ending December 20, 2027 on the revenue earned from components of its CIM 3.0 solution for the use of certain embedded third-party intellectual property.

Related party transactions

In the period, the Company expensed \$66,667 (February 28, 2018 - \$66,667) in respect of contractual management fees and incentives to a company owned by Dwayne Kushniruk, CEO. No other compensation was paid directly to him. On March 31, 2019, \$10,250 (December 31, 2018 - \$136,569) was due to related parties related to director and officer fees not paid at the end of the period.

SHARE DATA

As at March 31, 2019, the Company had outstanding 101,024,147 common shares and 9,286,667 stock options with an average strike price of \$0.25 and an average remaining life of 2.66 years. No warrants were outstanding as at this date.

RISKS AND UNCERTAINTIES

OneSoft is subject to business and economic risks. The reader is directed to page 11 of the [Management's Discussion and Analysis for the One Month and Ten Months ended December 31, 2018](#) for a full description of the risks and uncertainties the Company is subject to.

FINANCIAL INSTRUMENTS

Categories of financial instruments

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

	March 31, 2019	December 31, 2018
	\$	\$
Financial assets		
Loans and receivables		
Cash and cash equivalents	2,635,007	2,015,428
Trade and other receivables	107,262	1,756,177
	<u>2,742,269</u>	<u>3,771,605</u>
Financial liabilities		
Financial liabilities measured at amortized cost:		
Accounts payable and accrued liabilities	585,068	706,854
	<u>585,068</u>	<u>706,854</u>

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 is exposed to market risk through its use of financial instruments and specifically to currency risk, interest rate risk and certain other price risks, which result from both its operating and investing activities.

Foreign currency sensitivity

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

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

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

	March 31, 2019	December 31, 2018
	\$ (USD)	\$ (USD)
Cash and cash equivalents	1,555,039	1,140,785
Trade and other receivables	66,455	1,279,382
Accounts payable and accrued liabilities	(175,887)	(181,748)
Total exposure	<u>1,445,607</u>	<u>2,238,419</u>

Strengthening or weakening of the Canadian dollar against the USD by 10% (February 28, 2018 - 10%) would have had the following applicable positive or negative impact:

	Profit	Equity
	\$	\$
March 31, 2019	14,909	14,909
December 31, 2018	4,102	4,102

Credit risk analysis

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

	March 31, 2019	December 31, 2018
	\$	\$
Classes of financial assets - carrying amounts:		
Cash and cash equivalents	2,635,007	2,015,428
Trade and other receivables	107,662	1,756,177
Carrying amount	<u>2,742,669</u>	<u>3,771,605</u>

The Company mitigates its credit risk by 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.

Customer accounts are closely monitored for the amount and age of balances outstanding. The Company's target market primarily consists of large pipeline operating companies who are expected to reliably pay all amounts owed to the Company.

The aging of accounts receivable was:

	March 31, 2019	December 31, 2018
Aged 0 to 30 days	\$ 107,262	\$ 1,642,981
Aged 31 to 60 days	-	17,048
Aged 91 to 120 days	-	96,148
	<u>\$ 107,262</u>	<u>\$ 1,756,177</u>

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 short-term in nature and payment is due within one year. Financial liabilities outstanding at March 31, 2019 were \$585,068 (December 31, 2018 - \$706,854).

The Company considers cash flows from financial assets of \$2,742,669 (December 31, 2018 - \$3,771,605) in assessing and managing liquidity risk, and, its cash resources and trade receivables. Cash flows from trade and other receivables are contractually due within one month.

CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Revenue and deferred revenue

Revenue is recognized when the revenue recognition criteria expressed in its accounting policy for Revenue Recognition in the consolidated financial statements for the period ended December 31, 2018 have been met. Judgment may be required when allocating revenue or discounts on sales amongst the various elements in a sale involving multiple deliverables.

Determination of functional currency

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

Useful lives of depreciable assets

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

Stock based compensation

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

Business combinations and goodwill

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

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

CHANGES IN ACCOUNTING POLICIES

Standards adopted by the Company:

IFRS 16 - Leases

IFRS 16, Leases ("IFRS 16") is a new standard which will require lessees to recognize assets and liabilities for most leases under a single accounting model, with certain exemptions. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Early adoption is permitted, provided the new revenue standard, IFRS 15 has been applied or is applied at the same date. The standard had no effect on the Company's consolidated financial statements as it currently does not have any lease agreements.

ADVISORY REGARDING FORWARD LOOKING INFORMATION

This MD&A, the MD&A dated December 31, 2018 and the unaudited condensed consolidated Financial Statements for the three months ended March 31, 2019 and the audited consolidated Financial Statements dated December 31, 2018 (the "2019 Reporting Documents") contain historical information, descriptions of current circumstances and statements about potential future developments and anticipated financial results, performance or achievements of the Company. The latter statements, which are forward-looking statements, are presented to provide guidance to the reader but their accuracy depends on several assumptions and are subject to various known and unknown risks and uncertainties. Forward-looking statements are included under the headings: "Quarter Highlights", "Business Outlook" and "Subsequent to Period-End", "Financial Condition and Liquidity" and "Risks and Uncertainties" and in other sections of this MD&A. When used in the MD&A, such statements may contain such words as "may," "will," "intend," "should," "expect," "believe," "outlook," "predict," "remain," "anticipate," "estimate," "potential," "continue," "plan," "could," "might," "project," "targeting" or the negative of these terms or other similar terminology. Forward

looking information in the 2019 Reporting Documents includes, without limitation, statements regarding funding requirements. These statements are based on management's current expectations regarding future events and operating performance, are based on information currently available to management, speak only as of the date of the 2019 Reporting Documents and are subject to risks which are described on page 10 of the MD&A for the One Month and Ten Months ended December 31, 2018 and in the Company's public filings on the Canadian Securities Administrators' website at www.sedar.com ("SEDAR") and as updated from time to time, and would include, but are not limited to, dependence on market economic conditions, the efficacy of the Company's software products, sales and margin risk, acquisition and integration risks, competition, information system risks, risks associated with the introduction of new products, product design risk, environmental risks, customer and vendor risks, credit risks, currency risks, tax risks, risks of legislative changes, risks relating to remote operations, key executive risk and litigation risks. In addition, there are numerous risks associated with an investment in the Company's common shares, which are also further described in the "Risks and Uncertainties" section of the MD&A for the One Month and Ten Months ended December 31, 2018 and as updated from time to time, the Company's other public filings on SEDAR. These risks and uncertainties may cause actual results to differ materially from those contained in the statements. Such statements reflect management's current views and are based on certain assumptions. Some of the key assumptions include but are not limited to: assumptions regarding the performance of the Canadian and the United States economies; interest rates; exchange rates; capital availability; the amount of the Company's cash flow from operations; tax laws; laws and regulations relating to the protection of the environment; and capital spending requirements or planning in respect thereto, including but not limited to the performance of any such business and its operation. They are, by necessity, only estimates of future developments and actual developments may differ materially from these statements due to several known and unknown factors. Investors are cautioned not to place undue reliance on these forward-looking statements. All forward-looking information in the 2019 Reporting Documents is qualified by these cautionary statements. Although the forward-looking information contained these 2019 Reporting Documents is based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. Certain statements included in the 2019 Reporting Documents may be considered "financial outlook" for purposes of applicable securities laws, and such financial outlook may not be appropriate for purposes other than these 2019 Reporting Documents.

The forward-looking statements contained in the 2019 Reporting Documents are made as of the date of this report and should not be relied upon as representing management's views as of any date after the date of this report. Except as required by applicable law, the Company undertakes no obligation to publicly update or otherwise revise any forward-looking statement, whether because of new information, future events, or otherwise.