ONESOFT SOLUTIONS INC.

2020
Q4

Management's Discussion & Analysis
Year ended December 31, 2020

This Management's Discussion and Analysis ("MD&A") is dated March 23, 2021.

INTRODUCTION

This MD&A of the results of operations, cash flows and financial position as at and for the year ended December 31, 2020 should be read in conjunction with the audited consolidated financial statements and notes thereto for the years ended December 31, 2020 and 2019. 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 OneSoft and its wholly owned subsidiaries: OneBridge Solutions, Inc., OneBridge Solutions Canada Inc. (together referenced in this MD&A as "**OneBridge**") and OneCloudCo Limited. On January 1, 2020, CloudCo Solutions Inc. and OneBridge Solutions Inc. were statutorily amalgamated to form OneBridge Solutions Canada Inc. On January 1, 2020, OneCloudCo Inc. acquired OneBridge Solutions, Inc from OneSoft Solutions Inc.

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

This MD&A contains forward-looking information based on certain expectations, projections, and assumptions. This information is subject to many risks and uncertainties, many of which are beyond the Company's control. Users of this information are cautioned that actual results may differ materially. Readers are directed to the "Risks and Uncertainties" on page 18 of this document and to the "Advisory Regarding Forward Looking Information" on page 25.

NON-IFRS MEASUREMENTS

The Company defines Adjusted EBITDA as earnings before interest, income taxes, stock option expense, depreciation, amortization, and impairment charges. Readers are cautioned that Adjusted EBITDA should not be construed as an alternative to comprehensive income or loss as determined by IFRS. A table on page 24 reconciles Adjusted EBITDA with the Comprehensive Loss. Management uses Adjusted EBITDA as a measure of cash generation in its budgeting and financial reporting processes, recognizing that it does not reflect working capital and other balance sheet changes.

FINANCIAL SUMMARY

Selected Annual Information
(In $000's, per share amount in $)

	Year ended December 31, 2020	Year ended December 31, 2019	Ten Months ended December 31, 2018 [1]
Revenue	**$ 4,056**	**$ 2,712**	**$ 4,328**
Net (loss) income	**(3,256)**	**(3,606)**	**295**
Other comprehensive (loss)income	(23)	21	-
Comprehensive (loss) income	**(3,279)**	**(3,585)**	**295**
Basic and fully diluted (loss) income per share	**$ (0.03)**	**$ (0.03)**	**$ -**
Cash and short-term investments	$ 7,223	$ 10,512	$ 2,015
Total assets	$ 8,446	$ 11,944	$ 5,431
Long term liabilities	-	-	-
Number of shares outstanding (000's)	115,601	112,941	101,024

[1] In 2018, the Company changed its financial year-end from February 28 to December 31. This 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.

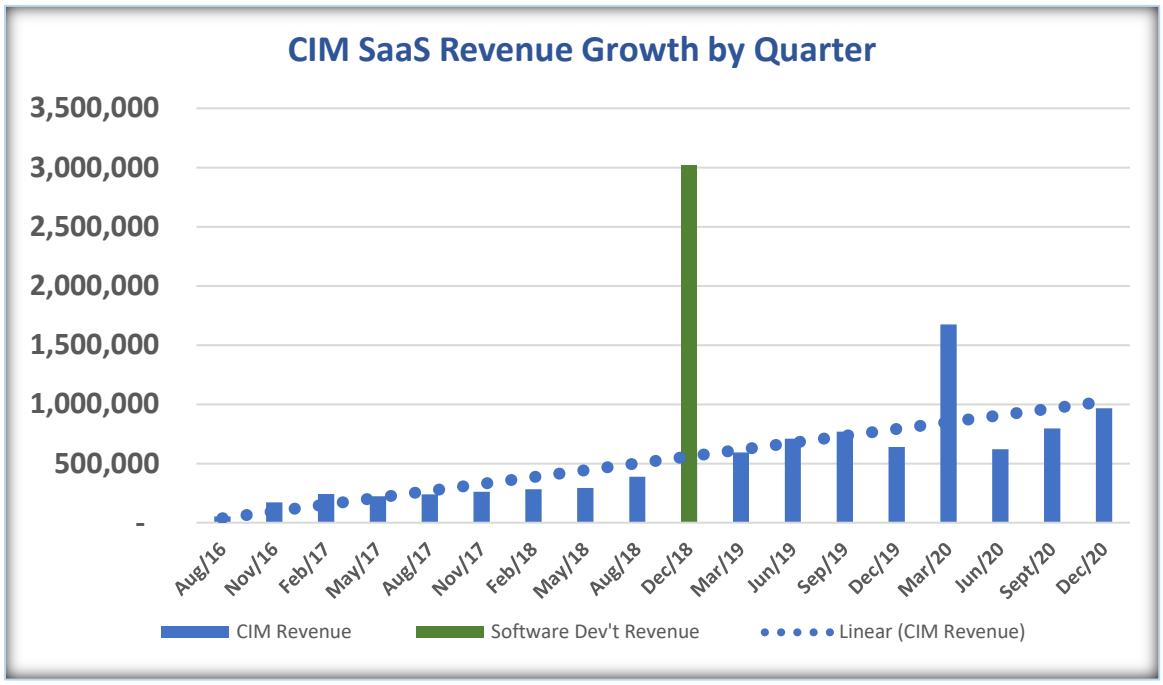
HIGHLIGHTS OF FISCAL 2020

Sales and Revenue

- Revenue for the year ended December 31, 2020 ("**Fiscal 2020**") increased 50% over Fiscal 2019, despite the disruption to business operations posed by the Covid pandemic. This year-over-year revenue increase was half of what Management expected to occur in Fiscal 2020, prior to the onset of the pandemic.
- Sales activities were challenged during the year, particularly between March and September, because prospective

clients prioritized and focused on transitioning to remote employee-based work models rather than investigation of our Cognitive Integrity Management™ ("**CIM**") software-as-a-service ("**SaaS**") solution to augment or replace their existing integrity management processes ("**IMP**") and systems. Our sales process is complex, as the disruption of legacy processes requires extensive validation efforts. CIM trial use cases involving customers' own data ("**Production Trials**"), and multiple approvals throughout the prospective client organizations typically protracts finalization of contracts. Notwithstanding Covid challenges, generation of new sales leads, sales activities and Production Trials increased in Q3 and Q4 of 2020, involving prospective customers in the U.S.A., South America, Australia and Middle East countries, which we anticipate may result in new commercial contracts for CIM use in the future.

- We anticipate that quarter-over-quarter revenue will continue to be variable for the next year or two, after which, we expect quarterly variances to diminish as our clients move through second and subsequent years of CIM use and more consistent software utilization patterns will emerge. Individual clients onboard differing volumes of historic data at differing rates into the CIM platform, thereby resulting in fluctuating CIM consumption. As our client base increases, we expect higher volumes of data ingestion will tend to average out the CIM use variances and, accordingly, quarterly recognition of earned revenue.
- The quarterly revenue for the past four quarters shown in the following chart reflects varied CIM usage, ingestion of data by our clients and monthly subscription fees recorded in revenue. On initial implementation of CIM, some clients may choose to load all their new and historic logs immediately, while some may choose to ingest data for different segments of their pipelines over one or more years.
    - The Dec/18 software development revenue occurred due to the completion of a non-recurring project that was funded by a client, wherein their intellectual property ("**IP**") was integrated into CIM.
    - The spike in Mar/20 revenue resulted from a new client having loaded a large number of new and historic logs in the quarter. The pace of loading of logs by all clients slowed in Q2 2020 and then accelerated in Q3 and Q4 2020.
- Management believes that the most important metric in the chart below is the dotted line, which illustrates the CIM revenue growth trend. CIM revenue is essentially all annual recurring revenue ("**ARR**"). Management focuses on increasing ARR as we believe this is a key factor that will contribute to increasing future value for shareholders. ARR is comprised of two components: (a) fixed recurring revenue, which includes CIM subscription fees that remain consistent over a contract subscription period; and (b) repeating CIM consumption revenue, which may vary year to year depending upon the volume of data ingested into CIM and the consumption of optional software functionality by clients.



Fiscal 2020 Financial Metrics

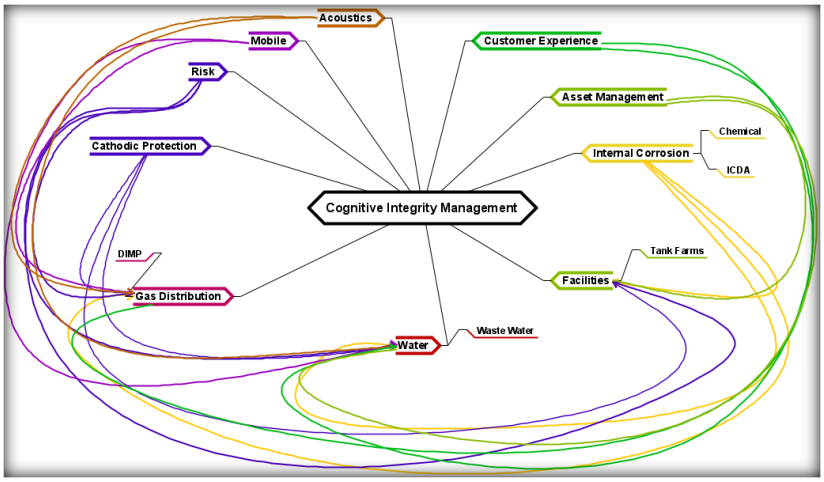
- Fiscal 2020 revenue and gross profit are summarized in the table below, with comparisons to Fiscal 2019. The increase in ARR year-over-year was due to higher overall consumption of CIM by existing clients.
- OneSoft tracks revenues in two categories and various sub-categories, as follows:
    - Annual recurring revenue (ARR) includes revenue from SaaS Subscription, data ingestion, Microsoft Azure and Specialized Functionality Module fees associated with CIM, which all typically repeat each year.
    - Other Revenue includes Production Trials (formerly referred to as Proof of Concept ("**POC**") projects), services, and miscellaneous other project fees, which may recur at irregular intervals.

	Three months ended:		Year ended:	
OneSoft SaaS Metrics	**Q4 2020**	**Q4 2019**	**Dec. 31, 2020**	**Dec. 31, 2019**
Revenue as reported in the Financial Statements	$ 966,122	$ 639,627	$ 4,056,077	$ 2,711,768
Revenue categorization:				
Annual Recurring Revenue ("ARR")	$ 917,878	$ 611,828	$ 3,872,393	$ 2,460,330
Other Revenue	$ 48,244	$ 27,799	$ 183,684	$ 251,438
Total Revenue	$ 966,122	$ 639,627	$ 4,056,077	$ 2,711,768
Direct Costs	$ 190,550	$ 257,131	$ 921,462	$ 701,739
Gross profit	$ 775,572	$ 382,496	$ 3,134,615	$ 2,010,029
Direct Costs as % of ARR and Other Revenue	20%	40%	23%	26%
Gross profit as % of ARR and Other Revenue	80%	60%	77%	74%
ARR as % of Total Revenue	95%	96%	95%	91%
ARR Growth (Qtr / Qtr, YTD / YTD)	50%	56%	57%	125%

- Fiscal 2020 adjusted EBITDA was negative $2,365,827, compared to negative $2,682,774 for Fiscal 2019 (Adjusted EBITDA calculations are stated on page 24 of this document). The Company experienced higher revenue and gross profit but also higher operating expenses primarily due to having added more personnel to accelerate research and development of new software functionality to increase the Company's competitive moat and to pursue new markets for its solutions.
- At December 31, 2020, cash and short-term investments totaled $7.2 million ($10.5 million at December 31, 2019). Cash on March 23, 2021 was $7.7 million. Working capital (current assets less current liabilities) was $6.2 million ($8.2 million at December 31, 2019), and the Company has no debt. Assuming customers renew and pay their 2021 contracts for CIM usage similar to fiscal 2020, no significant changes in its current business strategies and cash consumption, the Company believes it has sufficient cash on hand to fund its business and growth strategies as envisioned.

OneBridge Innovation Lab & Technology Roadmap

During 2020 the Company, through its Innovation Lab ("**Lab**") established in Q1, conducted considerable research, including exploration with more than one hundred third parties, to investigate leveraging the Company's technology to enter new markets and create new revenue opportunities. Based on this research, Management is optimistic the Company could pursue various new oil and gas ("**O&G**") niche market opportunities and potentially also adapt our CIM platform for use in the water and waste water ("**W&W**") industry in the future. These new markets collectively represent significant addressable markets and revenue opportunities.



The logos slide and graphic illustrate the wide assortment of companies and interdependence of technologies involved in integrity management of pipeline assets. Data is collected by various ILI tools, sensors and processes including cathodic protection ("**CP**"), chemical and other mitigation technologies for O&G gathering, transmission and facility pipelines. The CIM SaaS platform was designed to aggregate, align, correlate and analyze big data from multiple technologies used for integrity management today, which is different from the current industry practice of keeping disparate data siloed and unconnected. Alignment and correlation of data from different sources provides opportunity to apply data science, machine learning, and predictive analytics, using Microsoft's cloud computing platform, to optimize and improve management's integrity management practices.

The CIM Technology Advantage

In Fiscal 2020, the Company made significant strides in technology advancements, commensurate with its strategy to increase its competitive moat following the Company's capital raise in 2019 to fund accelerated research and development. Several Production Trials conducted in Fiscal 2020 served to further validate the CIM platform as being highly valuable for pipeline operators.

To understand the CIM-advantage, it is first necessary to understand how the CIM platform differs from conventional technologies used by the industry today. The fundamental difference is the CIM platform was developed from the outset as a born-in-the-cloud solution that leverages Microsoft's Azure cloud computing, essentially a super computing platform that supports data science and machine learning for big data, which legacy solutions that evolved from on-premise software simply cannot replicate. The power of Azure cloud computing enabled OneSoft to develop machine learning algorithms that automatically ingest, analyze and match 100% of the integrity management data collected by ILI devices. With super cloud computing power, CIM automates this full data analysis in minutes to hours whereas current industry processes, which require extensive human manual effort and months of time, typically analyze only a small fraction (typically less than 5%) of the available data, primarily using Microsoft Excel.

Why 100% Pit-to-Pit Anomaly Alignment Using Machine Learning Is Innovative

The CIM advantage allows complete pit-to-pit matching of all anomalies and correlation to the historic ILI data sets that have ever been collected for a pipeline. This differs from currently used integrity management processes wherein only the current and the immediately prior ILI data sets for the pipeline segment are typically analyzed. Our machine learning algorithms allow integrity engineers to drag and drop Excel files from any ILI tool vendor onto CIM, which then automatically ingests and aligns each of the usual tens or hundreds of thousands of anomalies resident in ILI datasets.

ILI tool technology does not always accurately call the locations of anomalies on the pipe, due to ILI tool errors which report locations of the features with inconsistent linear and offset errors. The same ILI tool re-run on the same section of pipe will likely deliver slightly different calls run over run, including a particular feature's exact downstream position from the tool launch valve (e.g., this variance might be caused by slippage of the tool's odometer wheel), clock position on the pipe (e.g., the same feature could be clocked at 2 o'clock on one run and 4 o'clock on the second run, due to slight "rocking" differentials of the ILI tool between the two runs) and/or depth of wall loss, due to either of the tool runs over- or under-calling the depth of an anomaly. The effect of these errors is compounded when more than two ILI data sets are compared, thus presenting a formidable task for humans, and considerable time and effort, to sort out the exponential factors involved in correlating data from more than two ILI data sets. For these reasons, current convention is to only compare two data runs and to consider only a fraction of the data.

The CIM platform is differentiated from current industry methodologies in that the Company has developed proprietary algorithms using cloud computing power and machine learning which, to Management's knowledge and belief, have not been replicated elsewhere in the world. One of these algorithms can match and align 100% of the features reported by ILI tools and, by correcting for the linear and offset errors, enable each individual feature to be analyzed over years and grown to future simulated failure points, based on anomaly histories and other associated factors. A second proprietary algorithm, using a Bayesian classifier, automates the ingestion of vendor data, including ILI data from every tool vendor and data structure that is typically used on a global basis. Human effort was initially required to train the ingestion algorithm, however, the algorithm is now self-learning with more than 5,000 ILI datasets and 60 million features having now been ingested and analyzed. The Company

has essentially created the industry's first data taxonomy for previously disparate ILI tool data that has been collected over decades, which allows operators to utilize all their historic data regardless of the multiple different ILI tool and vintage data structures that were used in the past decades to initially collect that data.

The CIM approach represents a significant innovative technology leap and delivers numerous advantages over the legacy processes currently used in the industry. One advantage is that each anomaly in the most current ILI data set can be traced back to when it first appeared on any ILI run (which could have been decades in the past) and can be accurately aligned with prior runs. Using this historic information, the rate of growth of each anomaly is known with accuracy over time, which enables CIM to calculate a predicted failure point for each anomaly. And because the probable failure point of each anomaly can be modeled in CIM, better management (i.e., data driven) decisions can be made. For example, in a currently scheduled excavation/repair, it might be more efficient and less costly to include adjacent anomalies which are projected to require future mitigation, because only a short distance of additional excavation is required, rather than re-excavating the area at a later time. Because anomalies can be aggregated and classified as to when future mitigation will be required, operators can decide whether to replace sections of pipeline rather than repair them individually in the future, based on projected cost calculations of the different alternatives. The full intelligence that CIM provides, essentially on a centimeter-by-centimeter basis, is invaluable information that pipeline operators can use for better long-range planning and asset management.

Another significant advantage of pit-to-pit alignment of anomalies over multiple historic ILI runs is that an individual over-called or under-called wall loss anomaly is better able to be interpreted within the context of that anomaly's entire history, rather than just between the last two data sets. For example, if an anomaly is under-called (e.g., at 5% wall loss) or even missed altogether in a prior ILI run and then called at 40% wall loss in the current run, this will likely be interpreted as an unusually fast area of corrosion growth and instigate an excavation inspection and repair effort. If, on the other hand, multiple historic data sets are included in the analysis, the under-called or over-called or un-called (missed completely) anomaly can be recognized as a tool error call when considered in the context of all the data that has been gathered.

The advantages and speed of complete 100% pit-to-pit matching using cloud computing and machine learning cannot be replicated using the industry's current human, manual Excel-based processes.

Case Studies – Comparing CIM to Industry Current Systems for Pit-to-Pit Anomaly Alignment and Pipeline Threat Analyses

Research conducted by the Company in Fiscal 2020 included detailed analyses of the technology and processes used by some of the leading industry vendors for pit-to-pit anomaly alignment. While current leading industry vendors we researched who provide ILI data evaluation by conducting ILI run comparisons ("**RunComs**" or "fitness for service" analyses) do in fact perform limited pit-to-pit anomaly alignment, their process and results are significantly different from the CIM approach. These vendors perform pit-to-pit matching on only a small number (typically 40 to 60) of candidate anomalies, then apply a hybrid growth rate as a fixed rate to the rest of the observed anomalies on the pipeline. By comparison, CIM conducts pit-to-pit matching on every anomaly while incorporating multiple historic ILI datasets, applies actual growth rates to each individual anomaly, and provides this analysis in minutes to hours rather than weeks to months at prices that are far less costly for operators.

During Fiscal 2020 several enlightening case studies were conducted through CIM Production Trials with industry experts and pipeline operators, wherein results using conventional industry and CIM technologies were compared. A selection of these case studies was subsequently presented to a global industry audience at the Virtual Research Exchange 2021 ("**VREX2021**") online conference on March 2, 2021, sponsored by the Pipeline Research Council International ("**PRCI**") organization.

Case Study 1

Pipeline integrity operations have two primary functions – to prevent loss of containment and to optimize economics. To compute the future spend of industry-standard best practices, three different predictive analytics methodologies, including CIM and the industry's commonly used fixed "6 millimeter" ("**6 mill**") and half-life" methodologies, were applied to the same pipeline system. The 6 millimeter and half-life methodologies tend to under-estimate the "outlier" short-term, and over-estimate the long-term threats. In one case, CIM detected a fast-growing threat due to rapidly deteriorating pipe coating damaged by a suspected lightning strike. This anomaly would be missed using the 6 millimeter and half-life methodologies, even though by design, they are conservative methodologies for prediction of future failures.

The study explored the efficacy of each methodology to determine which model most accurately predicts and optimizes the assessment and dig schedule for the pipeline system from both operational and financial perspectives. The chart below illustrates how CIM's 100% pit-to-pit growth analysis (left-most columns), using machine learning, data science and correlation of all available ILI data, enables integrity engineers to maximize intelligence about the pipeline. The middle and right columns show the number of predicted excavations and using the fixed "6 mill" and "half-life" methodologies, which are less accurate and necessarily conservative in absence of the centimeter-by-centimeter data and analysis that CIM provides. This greatly increases potential maintenance costs due to unnecessary excavations and/or frequent re-running of ILI tools. Projected 10-year dig program costs in the chart below are estimated at $30,000 for each repair. The difference in predicted future repairs are dramatic

– CIM predicts 1,618 fewer digs and $48,540,000 less cost than the 6-millimeter growth rate, and 276 fewer digs and $8,280,000 less cost than the half-life growth rate.

AID_NAME	JD Test Growth		JD Test Growth 6mil		JD Test Growth Half-Life	
Projected Repair Year	No. of Digs	Dig Program Cost	No. of Digs	Dig Program Cost	No. of Digs	Dig Program Cost
2020	7	$210,000	53	$1,590,000	11	$330,000
2025	15	$450,000	165	$4,950,000	28	$840,000
2030	37	$1,110,000	436	$13,080,000	65	$1,950,000
2035	67	$2,010,000	1366	$40,980,000	114	$3,420,000
2040	89	$2,670,000	1	$30,000	166	$4,980,000
2045	189	$5,670,000	1	$30,000	296	$8,880,000
Total	**404**	**$12,120,000**	**2022**	**$60,660,000**	**680**	**$20,400,000**

Case Study 2

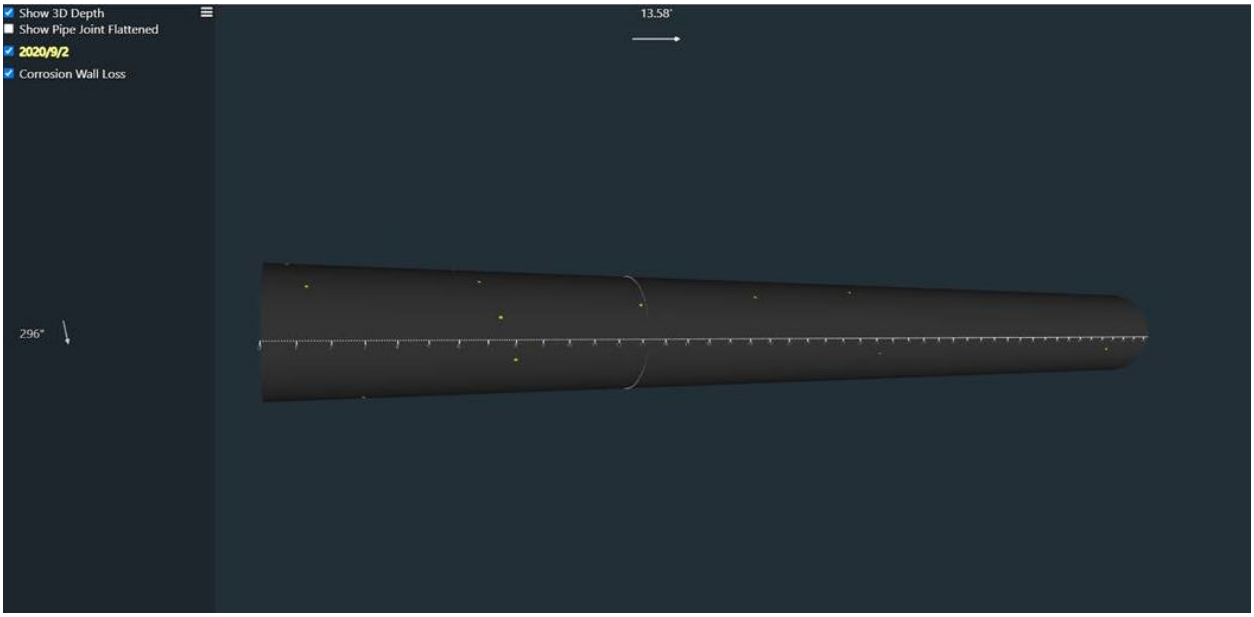
This study profiled a 30-year-old pipeline routed through areas wherein repair excavations are very costly. As per the following chart, decisions driven by 100% pit-to-pit analysis again greatly reduced the incidence of unproductive digs and associated maintenance costs (i.e., upon excavation and inspection the anticipated repair was not required). In this situation, the ILI vendor's RunCom recommended an ILI tool re-run every 3 years (which would result in additional estimated costs of $1.5 million), essentially limiting maintenance and associated cost forecasts to 3 years. CIM can provide such maintenance and associated cost forecasts well beyond the ILI vendor's forecast, often 10 or more years into the future. Modelling every anomaly versus a limited candidate subset of anomalies, CIM can better predict future threats without the requirement to perform more frequent ILI tool runs. The ability to analyze 100% of the anomalies provides the operator with the clear benefit of early implementation of measures to manage and control the threats. Essentially, CIM enables operators to prevent loss of containment at lower costs.

		3 years		5 years		10 Years	
		CIM	Existing Calculation	CIM	Existing Calculation	CIM	Existing Calculation
# of Digs		**4**	**5**	**6**	**26**	**12**	**3482**
Threat type	1	4	3	5	6	6	207
	2	0	1	0	4	2	551
	3	0	1	1	16	4	2724

Case Study 3

This study demonstrates the power of CIM, based on a post-construction initial ILI run (i.e., a single run), to create a 3-D visualization that empowered the integrity engineer to identify a condition that was contained within the ILI vendor's report, but unrecognized as a serious condition. CIM surfaced an issue that was related to the construction process and likely would not have become actionable until well beyond the lapsing of liability of the parties involved in the construction of the pipeline. In this case, CIM displayed in pipe view the low-level corrosion in a spiral pattern that unmistakably corresponded to the spiral welds of the pipe. The significance is that neither the operator nor the ILI vendor were able to identify these anomalies as a threat or a construction deficiency, as the low-level anomaly data that was considered as inconsequential. Legacy industry processes, typically require multiple ILI datasets to identify threats, while CIM was able to surface and contextualize threats from a single ILI dataset in this case, as shown in the following screenshot.

The benefit for the pipeline owner in this case is to have early knowledge of this threat issue, and potentially an opportunity to seek some sort of warranty relief that might be attributed to the construction process or materials defects. The benefit for the industry is that algorithms designed around this particular pattern recognition can now be shared amongst all CIM users, without sharing confidential data.



Management believes that the increase in CIM use and diversity of Production Trials completed in Fiscal 2020 by clients, prospective clients and certain industry experts has further validated the Company's technology and solutions and has provided more irrefutable data that assists to quantify the high value proposition of replacing legacy systems with the CIM platform. It is also notable that this messaging is becoming better understood by the industry on a global basis.

Analysis of Potential Markets for CIM

Cautionary Note: Readers are cautioned that Management's assumptions regarding Total Addressable Markets ("TAMs") estimates as presented herein represent 100% of the potential spend in various industry segments and are not presented as any forecast or prediction of future revenues for the Company. Readers are urged to conduct their own research and formulate their own assessments in this regard and are further cautioned that the figures provided herein are estimates of TAM that will be presumably shared in aggregate by all software providers who choose to address these markets.

Management believes that "first mover advantage" in developing innovative solutions is an important and key differentiator that may ultimately determine which new *de facto* standard solution will lead in market adoption success. To understand current industry spend and to estimate TAMs, Management has relied upon various sources of information, including information gleaned from investigations regarding more than one hundred third-party organizations and other anecdotal information gleaned from the Company's clients, prospective clients and certain other industry experts and participants. This research has assisted the Company to frame its short- and longer-term growth strategies by considering and balancing project work efforts required to serve client needs and prioritize future R&D initiatives, while considering potential revenue growth opportunities.

Assumptions:

- Of the 2.7 million miles of O&G pipelines in the U.S.A., approximately 660,000 miles are "piggable" (i.e., assessable using pipeline inspection gauges ("**PIGs**") to obtain ILI data) and 2 million miles are non-piggable, therefor must be assessed using a combination of Hydrostatic and Direct Assessment ("**DA**") technologies, including Cathodic Protection ("**CP**"), Internal Corrosion DA ("**ICDA**"), External Corrosion DA ("**ECDA**"), Ultrasonic Testing ("**UT**") Inspection, Close Interval Survey ("**CIS**"), Alternating Current Voltage Gradient ("**ACVG**") and Direct Current Voltage Gradient ("**DCVG**").
- Maintaining pipelines is a costly matter. The American Petroleum Institute ("API") and Association of Oil Pipe Lines' ("AOPL") published a report entitled "API-AOPL Annual Liquids Pipeline Safety Excellence Performance Report & Strategic Plan 2016" which stated that a group of energy companies spent more than $1.6 billion evaluating, inspecting and maintaining 207,800 miles of liquids pipeline during 2014, which equates to an average expenditure of $7,700 per mile of pipe. Information gleaned from some of the Company's clients is consistent with these figures as reported.
- Estimate of industry spend in the U.S.A. is compiled from disclosures by the regulator, the Pipeline and Hazardous Materials Safety Administration ("**PHMSA**"), the Association of Oil Pipe Lines ("**AOPL**") and various other sources. Based on the API-AOPL Annual Liquids Pipeline Safety Excellence Performance Report and Strategic Plan, 2016 report, USD $1.6 billion was expended in 2014 for integrity management costs associated with liquid pipelines in the U.S.A.,

comprised of $0.136 billion for evaluation, $0.347 billion for inspection and $1.1 billion for maintenance. Based on our estimated ratio of 1:3 liquid to gas pipelines installed within the U.S.A. and by extrapolating these known market metrics we estimate that annual costs associated with integrity management for piggable pipelines in the U.S.A. exceeds $7.4 billion annually, comprised of $0.6 billion for evaluation, $1.6 billion for inspection and $5.2 billion for maintenance. Based on our estimate that the U.S.A. pipeline infrastructure comprises 62% of the global infrastructure we estimate that global aggregated costs associated with integrity management for piggable pipelines may exceed USD $11.9 billion annually, comprised of $1.0 billion for evaluation, $2.6 billion for inspection and $8.3 billion for maintenance. This report was updated in 2019, however, references to industry spend for evaluation, inspection and maintenance were omitted from the later report.

Regarding the chart below:

- Management believes that the first mover advantage of the Company's current CIM platform can be leveraged with additional software development to address the functionality components required by the O&G industry as stated in Column 1 of the table below. The Company is focused on accelerating further development of its technology and solutions including potentially through acquisition of third-party developed IP that can be integrated into the CIM platform, while considering "build versus buy" costs and time to market factors. Management further believes that the CIM technology developed to date provides the ideal foundation upon which to ingest, integrate, correlate and analyze the multiple different data sets and methodologies that are currently used to conduct integrity management of oil and gas pipelines and assets. TAM figures are stated in Canadian dollars.
- Column 2 ("Current CIM") describes the current state of progress of the technology components of the CIM platform as follows, sorted from largest to smallest estimated data management and analyses TAMs pertaining to each of the projects:
    - ILI/Machine Learning functionality is mature.
    - Risk functionality is Early stage at this point, with plans to advance in 2021.
    - Internal corrosion direct assessment and chemical mitigation analyses are in Early and Potential stages, respectively. In this context, "Potential" means planned development, but not yet initiated.
    - Initial versions of CP and Asset Management functionality are Early stage, currently in trial use as minimally viable products ("**MVP**") that were released to private preview users in September 2020.
    - Mobile, Customer Experience, external corrosion direct assessment and acoustic functionality are all in Potential stages.
    - Facilities is also being researched as a Potential market for CIM. The licensing model for Facilities would likely differ from other functionality in that SaaS fees will be based on a per Facility rather than per mile basis. One industry vendor that was researched claims a customer base of 850 Facilities over 5 continents with aggregate asset value exceeding $550 billion.

  Project timelines for the functionality module development are not being forecast at this point, as these will be dependent upon input from subject matter experts, private preview users, prioritization preferences of clients and prospective clients and other factors.
- Column 3 ("USA Mileage") shows pipeline mileage metrics for the U.S. (2019 data), as reported by the U.S. regulator, the Pipeline and Hazardous Materials Safety Administration ("**PHMSA**"), the Association of Oil Pipe Lines ("**AOPL**") and various other sources.
- Column 4 ("Rate") is Management's estimate of the potential revenue per mile for data aggregation, management and analyses that might be charged to clients for that functionality. Management's estimates in this regard are based on multiple sources of information, considering current industry spend in the various areas and information gleaned from discussions with numerous industry experts, clients, prospective clients and other industry vendors. Rate is the estimated 5-year average, with the assumption that early software versions may generate less revenue than later, more comprehensive versions as more functionality is included.
- Column 5 ("TAM USA") is an extension of mileage multiplied by estimated rate, to calculate an estimate for the U.S. TAM.
- Column 6 ("TAM ROW") extrapolates the U.S. TAMs to estimate TAMs for the Rest of World (excluding U.S.), based on the assumption that the U.S. contains approximately 60% of the world's oil and gas pipeline infrastructure.
- Column 7 ("TAM Global") represents the global total estimated TAMs, including U.S. figures.

Note: The table below is stated in Canadian dollars

Oil & Gas - Estimated TAM USA & Global						
Column 1	*Column 2*	*Column 3*	*Column 4*	*Column 5*	*Column 6*	*Column 7*
			Est US % of Global Infrastructure		*60%*	
	Current CIM	**USA Mileage**	**Rate**	**TAM USA**	**TAM ROW**	**TAM Global**
ILI/ML	Developed	660,000	$ 100	$ 66,000,000	$ 44,000,000	$ 110,000,000
Risk	Early	1,863,450	$ 25	$ 46,586,239	$ 31,057,492	$ 77,643,731
ICDA/Chem	Early/Potential	612,000	$ 75	$ 45,900,000	$ 30,600,000	$ 76,500,000
CP	Early	1,011,981	$ 25	$ 25,299,515	$ 16,866,343	$ 42,165,858
Asset Mgmt	Early	1,863,450	$ 10	$ 18,634,495	$ 12,422,997	$ 31,057,492
Mobile	Potential	1,863,450	$ 10	$ 18,634,495	$ 12,422,997	$ 31,057,492
Cust Exp	Potential	1,318,648	$ 5	$ 6,593,238	$ 4,395,492	$ 10,988,730
ECDA	Potential	2,476	$ 1,000	$ 2,476,362	$ 1,650,908	$ 4,127,270
Acoustics	Potential	224,724	$ 10	$ 2,247,239	$ 1,498,159	$ 3,745,399
Facilities*	Potential	500	$ 50,000	$ 25,000,000	$ 16,666,667	$ 41,666,667
				$ 257,371,583	**$ 171,581,056**	**$ 428,952,638**
*Facilities**	*includes, refineries, tankfarms, chemical and other downstream facilities*					

Potential Use of the CIM Platform for Water and Waste-Water Markets

Preliminary research conducted in the Company's Innovation Lab in Fiscal 2020 suggests that the CIM Platform and technology for O&G may be well suited for adaptation to the Water and Waste-Water ("**W&WW**") industry. While the industries operate by different economic drivers (i.e., profit based versus government service business models), they share common traits that the CIM platform can address (i.e., corroding pipelines in old and aging infrastructure that is costly to maintain). W&WW pipelines are generally older infrastructure than O&G, and arguably more critically important.

Key differences of the W&WW compared to the O&G industry include:

a. A wider range of pipeline materials, including ferrous, non-ferrous, plastic, wood and concrete is used in W&WW, necessitating that different data gathering tools are required;

b. Water pipeline failures, while costly, don't generally cause as much environmental damage as O&G failures do (e.g., floods and sinkholes are usually less impactful than oil contaminating waterways and oceans), therefore water pipelines are not as heavily regulated as O&G. Waste-Water is more closely monitored and regulated, because of its more damaging impact upon failure;

c. Because most W&WW facilities are typically provided by various government agencies, funding to update systems may present more of a challenge than within the O&G industry, which operates on a different profit-motivated business model; and,

d. The W&WW industry appears to be lagging compared to O&G, thus disruption with innovative technologies to legacy practices may be both more challenging and more opportunistic. Validation of innovative new solutions and sales cycles can be expected to be protracted, which may require a longer-term strategy to invest in and gain traction in this market.

These challenges also serve to provide opportunity for first mover advantage for the Company. The CIM platform is already strongly validated for O&G, which we believe can be leveraged for and transferred to the W&WW market. As the Company continues to evolve its technology for O&G, many of these advancements will also apply to W&WW, thus pursuit of both markets appears to be plausible and opportunistic.

Most of the integrity maintenance technology components listed in Column 1 of the above chart that are used in O&G are, or can be, leveraged for W&WW. During Fiscal 2020, the Innovation Lab identified ILI tools that run in water pipelines, which data sets were able to be ingested into CIM. Several ILI tool technologies exist today that work in ferrous and non-ferrous pipe and plastic pipe and it may be advantageous for the Company to apply predictive analytics for W&WW that could result in significant cost savings, which is a motivating factor for W&WW operators to accelerate adoption of the Company's technology and solutions.

Based on preliminary market research, North America and Western Europe appear to have approximately 3.9 million miles of municipal water pipelines, representing approximately 37% of the global infrastructure. Although the W&WW industry appears at this point to be a significant potential future opportunity for CIM, the reader is advised that more research and work needs to

be done before the Company decides to pursue any of these markets, with further caution that the Company makes no representation that it will pursue these markets in the future.

Management intends to continue its research regarding W&WW, with a view to initially consider the U.S., Canadian and certain international regions where interest in exploring the CIM platform may exist. Initial steps will include conducting trial ILI runs and data analyses, which can be explored after Covid travel restrictions subside (anticipated to occur in H2 of Fiscal 2021) and continued exploration of joint venture or other working arrangements with third parties who already service the W&WW industry and who see benefit of incorporating CIM capability within their service offerings.

CIM Product Development in Fiscal 2020

The Company continued to develop new functionality to incorporate data collected by various integrity and inspection methods for both piggable and non-piggable pipelines. The first of these new functions was released for private preview use on September 8, 2020, to further the capability of CIS, ACVG and DCVG, some of the standard integrity methodologies used in Direct Assessment ("**DA**") processes that search for deterioration of pipeline coatings around which corrosion may occur. DA is used for most pipelines in the U.S.A. (as shown in the O&G TAM chart above), including pipelines for which ILI data is not captured. CIM DA functionality is being developed to work with several of the four phases of DA methodology which includes preassessment, identification, field examination and post-assessment processes. This new software development represents an opportunity for several reasons:

- The new functionality will allow operators to automate the correlation of data for the preassessment stage of DA, including alignment of data with ILI, which will help to improve intelligence and decision-making capability for integrity management engineers. This capability, in conjunction with pit-to-pit analysis, is unique to CIM.
- We anticipate this functionality will increase the number of CIM users as personnel who address DA functions will be able to use CIM in their daily work, and because DA data sets are typically collected annually or even more often in certain cases, the frequent analyses of correlated data sets are expected to increase CIM utilization as compared to conducting only ILI analyses.
- The addition of this functionality serves as a foundational model to incorporate additional data sets and methodologies to expand DA functions and advance the evolution of a pipe-centric database which we anticipate will foster increased use of CIM by more users, thereby addressing additional potential TAMs as described in the O&G TAM chart.
- New functionality added to the CIM platform is ideally suited to leverage the economic consumption business model, thereby providing an opportunity to increase revenue growth from both existing and new customers.

We intend to enhance and evolve our solutions in accordance with our technology and product roadmaps which are based on deep domain expertise regarding pipeline data management, continued incorporation of applicable components of Microsoft's cloud platform and services, and incorporation of subject matter experts', clients' and prospective clients' input and feedback regarding product features and functionality required to optimize management of pipeline assets.

During Fiscal 2020 the Company published 13 application releases and 31 cumulative machine learning algorithm updates. More than 5,000 ILI assessments have been ingested into CIM to date, resulting in the Company's algorithms now having capability to detect and report on nearly 250 pipeline excavation criteria, inclusive of both regulatory and operator best practices. More than 60 million features and learnings therefrom, across all data, have been analyzed by CIM to date. The Company also enhanced and developed new tools to scale on-boarding of new clients during Fiscal 2020, commensurate with its plan to scale sales.

New CIM Pricing Model

The Company introduced a "pay as you go" pricing ("**PAYG**") model in Fiscal 2020, in response to feedback from some prospective customers and reseller partners. The PAYG model authorizes CIM use through acceptance of a user agreement displayed on-screen when the customer initiates their use of CIM rather than a lengthy manually signed contract and is scalable for use for individual integrity management projects or for enterprise-wide use for all pipeline assets. Management believes the PAYG pricing model will be advantageous for certain prospective customers who prefer to ease into CIM use, for example to further validate CIM's capability beyond what they learn in Production Trial scenarios, and in some cases to assess certain CIM functionality for unique, problematic pipeline segments they may need to address.

The PAYG model provides pipeline operators the opportunity to engage their own engineers or contract third-party experts to conduct a scope of work around specific projects. Industry experts who contract such project work may use CIM to enhance their services by replacing manual efforts with automated CIM functionality, ultimately providing more efficient and cost-effective services for both the consultants and their customers.

The PAYG model also addresses two common scenarios that our sales teams continue to encounter. Firstly, the PAYG model enables immediate use of CIM while prospective SaaS subscription clients work through the adoption processes large companies typically navigate through to onboard new enterprise level solutions, which tend to be rather lengthy. Secondly, the PAYG model accommodates immediate use for specific ad hoc projects, without requirement to adopt CIM on an enterprise-wide basis (e.g., to conduct a rapid pre-purchase due diligence analysis prior to acquiring or selling pipeline assets).

Management believes that the PAYG model is beneficial for several reasons:

- Management anticipates that PAYG will assist to increase the rate of CIM adoption, particularly in international markets where CIM is not yet as well-known as it is in the U.S.A. and may require further validation.
- Management believes that PAYG CIM use is less onerous for companies to embrace and that as CIM use progresses, its value will become better understood and help to drive future long-term SaaS contracts for enterprise-level installations.
- The PAYG model supports the "Test, Learn, Scale" concept that may be a preferred by certain clients who are considering implementing a next-generation solution to replace their legacy systems. This model is also ideal for clients that have not yet established annual budgets for CIM use but want to start using the solution.
- Management expects to evolve PAYG to a self-service model to scale future sales, wherein interested purchasers will be able to run their own production trial with their own data to assess CIM capabilities and thereafter subscribe to CIM use for specific projects or continued use. We believe this will also accommodate needs of consultants who can use CIM analysis as part of their services offerings.
- Lastly, Management anticipates that the PAYG model will be ideal for CIM deployment for the W&WW industry, presuming this line of business is pursued in the future.

Sales & Marketing Activities

Prior to Fiscal 2020, the Company's sales were made to early adopters who interacted with senior management and product development personnel as they navigated through an extensive CIM validation process. The Company appointed a Vice President of Sales in March of 2020, a 35 year industry veteran with extensive software sales expertise, to establish a sales organization focused on recurring revenue growth. He subsequently hired Sales Managers who are focusing on North American and LATAM sales.

A formalized process to scale global sales was developed to address all required activities, from initial lead generation through Production Trial management through finalization of commercial SaaS agreements. The Company adopted Microsoft Dynamics 365, which integrates customer relationship management with the Company's website activity data and Office 365. The system manages and tracks detailed milestones of the sales process and summarizes these through data-driven dashboards on a weekly cadence. During Q4 of Fiscal 2020, these efforts generated an average recruitment of 2.5 new Production Trials per month. The Company also engaged with CIM reseller partners to collaborate in sales projects with pipeline operators based in Canada, Australia and United Arab Emirates. Overall, sales efforts in Fiscal 2020 resulted in the addition of four new clients and numerous Production Trials were planned or commenced with potential clients in the U.S., Canada, LATAM, EMEA and Australia.

Marketing efforts during Fiscal 2020 served to increase interest by industry watchers and prospective customers, despite the pandemic-associated challenges that prevailed for most of the year. Several technical presentations and white papers were presented during the year, along with customer webinars that were co-presented with Microsoft and a client's personnel. The Company also developed a user guide video series for CIM, which is a valuable sales and training aid. Other marketing initiatives included documentation of CIM use case studies, which are now published on the Company's and reseller partners' websites. CIM technology was profiled in industry magazine articles, buttressed by online and publication advertising. Marketing initiatives served to increase the Company's website traffic by approximately 80% over the prior year and the launch of a bi-weekly blog cadence generated an increase of new blog visitors by 110% over the prior year.

Click here to view some of the Company's marketing and sales collateral.

Corporate Activities

The Company continued to meet with and update shareholders and followers of the Company throughout Fiscal 2020, through attendance at various on-line investor conferences that replaced in-person meetings that were cancelled due to the pandemic. Meetings were also conducted with numerous Canadian and U.S. parties that have been following the Company, some of which have since become shareholders.

On July 27, 2020 OneBridge Solutions Canada Inc., Tim Edward and Dwayne Kushniruk (collectively the "Plaintiffs") filed and served a Statement of Claim (the "Lawsuit") upon Darren Gerling, Jason Gerling, and Cylo Technologies Inc., (collectively the "Defendants"), as a result of multiple alleged breaches of the terms and conditions of a Software License Agreement ("SLA") entered into in October 2014, that governs the terms and conditions by which the Defendants can use certain intellectual property owned by the Company. The intellectual property and SLA were acquired in the July 2015 purchase of assets from Bridge Solutions Inc. (collectively the "Bridge IP"). Management believes it is prudent for the Company to continue to vigorously protect value for shareholders by protecting all of its intellectual property, including the Bridge IP and all legacy and current technologies, and related contractual rights. The Lawsuit is currently in process. A provision has not been made for future legal expenses nor for any potential benefit the Company may eventually realize from this action, as no estimate of award is probable.

On September 25, 2020, the Company announced it had placed 112th on the 2020 Report on Business ranking of Canada's Top Growing Companies, having earned its spot with three-year revenue growth of 434%.

Activities Subsequent to Fiscal 2020 Year End

On January 13, 2021 the Company announced closing of a CIM sale that completed as a result of sales efforts conducted in Fiscal 2020.

On March 2, 2021 the Company co-presented a white paper at a PRCI conference attended by 1,350 registrants from 17 countries, along with an industry expert who is an employee of Worley/Advisian, the Australian-based reseller partner that is introducing CIM to its global client base as part of its offerings associated with high-value engineering and digital transformation services. Worley/Advisian, following their recent acquisition of Jacobs Engineering, is one of the largest international engineering firms that conducts business globally with oil and gas operators. The PRCI presentation involved several case studies of work performed by Worley/Advisian engineers, highlighting the high value proposition of using CIM over conventional industry systems and processes. This presentation has generated global interest which will be followed up by the Company and Worley/Advisian.

On March 9, 2021 the Company announced the acquisition of IP that is being integrated into the CIM platform as a component of its risk compliance functionality. The total cost of this acquired IP was $205,800, which included a cash payment of US$100,000 and an issuance of 120,000 shares of the Company's common stock with a market value of C$0.66 per share on the date that both parties agreed to the purchase and sale of this intellectual property. The acquired IP includes algorithms and processes that leverage machine learning to perform data analytics associated with measuring the uncertainty of anomalies found through pipeline inspections. The analysis, often referred to as probability of exceedance ("**POE**"), supports the prioritization of on-going inspections and mitigations and aligns with regulatory requirements mandated by PHMSA 192 & 195 safety statutes for U.S. pipeline operations.

BUSINESS OUTLOOK

We are pleased with the progress being made to advance our technology, solutions and market presence and remain confident that the Company's competitive moat continues to increase. Based on certain research and business development initiatives conducted in Fiscal 2020, our belief that our unique CIM functionality has not been replicated elsewhere in the world is sustained, and that our born-in-the-cloud approach to develop software based on machine learning, data science and Microsoft cloud computing will continue to outpace industry vendors who attempt to update legacy systems. The research conducted in Fiscal 2020 with some of the industry's top experts provides compelling justification that supports the high value proposition of using CIM versus other vendor solutions. This knowledge is becoming known globally through technical publications and word of mouth referrals, which we believe will assist the Company to gain market traction.

Interest in our CIM solution continues to increase, with sales activities currently underway in the U.S.A., Canada, Australia, United Arab Emirates, Brazil, and Argentina. Numerous CIM Production Trials are planned or in various stages of completion, which we anticipate will result in completed sales in future periods. Various business development initiatives are also underway, with the objectives to recruit CIM resellers and identify new potential markets and revenue sources based on our CIM technology and platform.

Given the Company's strong balance sheet with $7.2 million of cash and equivalents, no debt, current cash burn rate, and anticipated revenue going forward, Management believes the Company is well-funded to execute current business plans as envisioned without requirement to raise additional capital.

RESULTS OF OPERATIONS

Year ended December 31, 2020 compared to year ended December 31, 2019

Revenue and Gross Profit

	Year ended:			
	December 31, 2020	December 31, 2019	Change	
	$	$	$	%
Annual recurring revenue (ARR) [(1)]	3,872,393	2,460,330	1,412,063	57.4
Other revenue [(1)]	183,684	251,438	(67,754)	(26.9)
Total Revenue	**4,056,077**	**2,711,768**	**1,344,309**	49.6
Direct costs	921,462	701,739	219,723	31.3
Gross profit	**3,134,615**	**2,010,029**	**1,124,586**	**55.9**

(1) *Revenues categorized as per Fiscal 2020 Revenue Components table*

Annual Recurring Revenue (ARR) increased 57.4% in 2020 due to increased CIM use overall, driven by a large CIM implementation in 2020 and changed CIM use by other clients, as compared to 2019. Direct costs rose in 2020 due to the higher revenue. Azure costs as a percentage of revenue declined from 10.9% to 9.5% due to improved internal controls over this resource's use. The cost of software royalties paid to a third party increased from $132,073 to $224,104 and the cost of staff time consumed for customer services declined as a percentage of revenue due to improved recovery rates. Gross profit increased commensurate with the revenue increase. The gross margin increased due to the revenue mix and the improved controls over direct costs.

Expenses:

	Year ended:			
	December 31, 2020	December 31, 2019	Change	
	$	$	$	%
Salaries and employee benefits	4,436,348	3,527,200	909,148	25.8
General and administration	705,747	716,052	(10,305)	(1.4)
Sales and marketing	562,727	460,122	102,605	22.3
	5,704,822	**4,703,374**	**1,001,448**	**21.3**
Software development costs capitalized	(50,887)	(101,974)	51,087	(50.1)
Operating expenses, net of costs capitalized	**5,653,935**	**4,601,400**	**1,052,535**	**22.9**

Salaries and employee benefits increased by $909,148 or 25.8% over the comparative period due to new staff hires. Additional staff and wage increases caused staff compensation to rise by $832,710 and employee benefits to increase by $115,646 over last year. Offsetting these expense increases was the allocation of staff salaries into direct costs and marketing expenses for CIM implementation and Production Trials which decreased this expense category by $100,724.

General and administrative expenses decreased by $10,305 this year. The Company did not conduct accounting research projects this year as it did last year which, combined with lower audit accrual fees, reduced external accounting fees by $50,967. In-person staff meetings were curtailed in 2020 due to the Covid-19 pandemic, reducing expense by $39,834 compared to 2019. Lower state franchise taxes were paid in the U.S.A. in 2020 than in 2019, lowering expense by $10,925. Legal fees arising from the Cylo lawsuit caused legal expenses to rise by $85,777. Higher provincial securities commission fees and insurance costs increased by $18,374 and $8,111, respectively.

Sales and marketing expenses increased $102,605. Third-party contractors were engaged for sales lead generation in the U.S.A. and South America at a cost of $131,710. A consulting firm was engaged to assist with marketing campaigns and webinars at a cost of $43,237 and allocated non-recoverable staff time for production trials and customer assistance increased expense by $54,192. Independent contractors who refurbished the Company websites and created animated marketing videos cost $14,708 and $22,562, respectively. The Covid-19 pandemic curtailed sales travel and many trade shows, reducing expenses by $63,347 and $54,585, respectively. In 2019, a final payment of $47,404 was made to a consulting firm engaged to assist with the Company's marketing strategies, and this cost did not repeat in 2020.

In Q3 2020, the Company recognized $50,887 in deferred development costs to create a new product to align and analyze Direct Assessment data sets. In the prior period, costs of $101,974 of new functionality created in our CIM 3.0 product were similarly recognized.

Other expense (income)

	Year ended:			
	December 31, 2020	December 31, 2019	Change	
	$	$	$	%
Stock based compensation	589,241	663,211	(73,970)	(11.2)
Amortization of intangible assets	402,075	386,236	15,839	4.1
Depreciation of property and equipment	13,594	21,124	(7,530)	(35.6)
Foreign exchange loss	26,872	91,403	(64,531)	(70.6)
Interest income	(114,655)	(147,415)	32,760	(22.2)
SRED[(1)] claim, net of professional fees	(180,365)	-	(180,365)	100.0
	736,762	**1,014,559**	**(277,797)**	**(27.4)**

[(1)] Scientific Research and Experimental Development

Stock based compensation expense decreased due to a reduced number of new grants being made in the current year and grants made in prior periods having completed their amortization.

The Canadian to U.S. foreign exchange rate decreased from 1.2988 on December 31, 2019 to 1.2732 on December 31, 2020. The decrease in the foreign exchange rate created the loss on the net U.S. assets the Company holds.

In Q4, 2020, the Company successfully processed two Scientific Research and Experimental Development ("SRED") claims through the Federal and Alberta governments for the fiscal years 2018 and 2019. The Company realized $424,655 in Federal income tax credits which may be applied against future federal income taxes payable and cash incentives of $180,365 (net of consultant fees) were received from the Government of Alberta.

Interest rates and the Company's cash balances reduced in 2020, causing interest income to reduce by $32,760.

Comprehensive loss

In 2020, the comprehensive loss was $3,278,584, a reduction from the comprehensive loss of $3,585,279 recorded in 2019. The comprehensive loss reduced due to revenue and gross profit having increased by $1,344,309 and $1,124,586, respectively, and other expense (income) having reduced by $277,797. Salaries and employee benefits expense which rose by $909,148 and sales and marketing expenses which increased by $102,605 offset the gross profit improvement. Management believes the continued investment of resources into additional staff and marketing activities will be beneficial to increasing revenue, gross profit, and cash flow in future periods.

Quarter ended December 31, 2020 compared to Quarter ended December 31, 2019

Revenue and Gross Profit

	December 31, 2020	December 31, 2019	Change	
	$	$	$	%
Annual recurring revenue (ARR)	917,878	611,828	306,050	50.0
Other revenue	48,244	27,799	20,445	73.5
Total Revenue	**966,122**	**639,627**	**326,495**	51.0
Direct costs	190,550	257,131	(66,581)	(25.9)
Gross profit	**775,572**	**382,496**	**393,076**	**102.8**
Gross margin	80.3%	59.8%	20.5%	34.3

CIM revenue increased quarter-over-quarter by $306,050 or 50.0%. Within this revenue group, revenue from the ingestion of new and historic ILI data logs increased by $242,570 or 130.0% and monthly subscription revenue increased $52,317 or 16.6%. Revenue from Production Trials with prospective clients increased $20,446 or 73.5%. Our CIM customers were very active in the quarter and management is optimistic that the Production Trials completed in the quarter may lead to signed commercial customers in Fiscal 2021.

Direct costs decreased in the current quarter by $66,581. This was primarily due to a reduced allocation of the costs of staff time assisting customers who required less CIM training and support. Software royalties paid to a third party increased $19,546, commensurate with the higher revenues. Computing costs decreased $15,922 despite the higher revenue as improved controls resulted in a greater efficiency of the use of Azure.

Gross margin improved to 80.3% as compared to 59.8% in this period last year, due primarily to the reduction in the amount of staff expense supporting customers.

Expenses:

	December 31, 2020	December 31, 2019	Change	
	$	$	$	%
Salaries and employee benefits	1,331,982	1,090,899	241,083	22.1
General and administration	143,349	177,368	(34,019)	(19.2)
Sales and marketing	165,641	87,463	78,178	89.4
	1,640,972	**1,355,730**	**285,242**	**21.0**
Software development costs capitalized	-	-	-	
Operating expenses, net of costs capitalized	**1,640,972**	**1,355,730**	**285,242**	**21.0**

Salaries and employee benefits expense increased $241,083. Compensation expense increased $183,114 and the cost of employee benefits increased $24,887 in the current quarter due to increases in the number of employees and salary increases granted to certain employees last year. Annual variable compensation, which are recorded in the fourth quarter, increased $19,401 this year, reflecting the higher revenue and gross margin in Fiscal 2020. Staff salaries allocated to direct costs and sales and marketing expense decreased $22,126 as existing customers required less support to operate CIM than in this quarter last year. The Company reduced its use of external developmental subcontractors in Q4 2020 compared to Q4 2019 for a savings of $9,461.

General and administrative expenses decreased $34,019 or 19.2% in the current quarter. Fees paid to auditors decreased $9,428 as audit work regarding research projects performed last year were not repeated this year, resulting in reduction of the quarterly audit accrual this quarter. Microsoft Azure expense for internal software development reduced by $18,498 as the Company exerted better controls over the use of this resource. Corporate fees related to being publicly listed and for insurance also reduced in the current quarter and these were both timing issues as these expenses were generally up on a year-over-year basis.

Sales and marketing expenses increased $78,178 this quarter over Q4 of 2019, of which $61,261 was due to engaging an external salesperson to generate leads in LATAM and incentives related to production trials. Staff time allocated to marketing expense for Production Trials increased expense by $34,105 and the creation of video marketing collateral created expense of $20,171 in the current quarter. The Covid-19 pandemic resulted in several trade shows being cancelled and sales and other staff not being able to travel to visit current and prospective clients together reduced expenses by $40,720, compared to Q4 2019.

No software development costs qualified for capitalization in this or the comparative quarter.

Other expense (income):

	December 31, 2020	December 31, 2019	Change	
	$	$	$	%
Stock based compensation	98,440	101,775	(3,335)	(3.3)
Amortization of intangible assets	102,419	102,493	(74)	(0.1)
Depreciation of property and equipment	3,188	6,137	(2,949)	(48.1)
Foreign exchange loss	67,041	19,401	47,640	245.6
SRED claims, net of related expenses	(180,365)	-	(180,365)	(100.0)
Interest income	(16,894)	(78,210)	61,316	78.40
	73,829	**151,596**	**(77,767)**	**(51.3)**

Stock based compensation expense decreased due to the reduced number of new grants in the current quarter and grants made in prior periods having completed their amortization.

Due to the Canadian to U.S. foreign exchange rate decreasing from 1.3339 on September 30, 2020 to 1.2732 on December 31, 2020, the Company's U.S. dollar net assets lost value and a foreign exchange loss of $67,041 was recorded in Q4, 2020.

In Q4, 2020, the Company successfully processed two Scientific Research and Experimental Development ("SRED") claims through the Federal and Alberta governments for the fiscal years 2018 and 2019. The Company realized $424,655 in Federal income tax credits which may be applied against future federal income taxes payable and cash incentives of $180,365 (net of consultant fees) were received from the Government of Alberta.

Interest income declined as the Company had less cash to invest in interest bearing accounts and interest rates having declined since this period last year.

Comprehensive loss

In the current quarter, revenue and gross profit increased by $326,495 and $393,076, respectively. The Company's continued investment in product development and revenue growth initiatives caused operating expenses and other expense (income) to increase by $207,475 in the quarter. Due the growth in gross profit, the comprehensive loss decreased by $173,440 to $944,066 from $1,117,506 in this quarter last year.

SUMMARY OF QUARTERLY RESULTS

	FY 2020				FY 2019			
($ 000's, per Share in Dollars)	Dec 31	Sept 30	June 30	Mar 31	Dec 31	Sept 30	June 30	Mar 31
Revenue	966	795	619	1,675	640	770	710	592
Gross profit	776	589	436	1,334	383	582	533	512
Expenses (net of software development costs capitalized)	1,641	1,371	1,415	1,226	1,356	1,071	992	1,183
Comprehensive (loss) income	(944)	(996)	(1,350)	11	(1,117)	(669)	(836)	(967)
Basic and diluted loss per share:	(0.01)	(0.01)	(0.01)	-	(0.01)	(0.01)	(0.01)	(0.01)

Revenue increased in the quarter ended March 31, 2020 due to a large customer ingesting many ILI data sets during their initial implementation of CIM. Revenue then increased from Q2 through Q4 of 2020 as more customers were active with the use of CIM. Annual variable compensation expense is recorded in the fourth quarter causing expenses to increase in those quarters.

FINANCIAL CONDITION & LIQUIDITY

	Year ended December 31, 2020 $	Year ended December 31, 2019 $	Change $	Change %
Net loss	(3,256,082)	(3,605,930)	349,848	(9.7)
Items not involving cash	1,004,910	1,070,571	(65,661)	(6.1)
Funds used in operations	(2,251,172)	(2,535,359)	284,187	(11.2)
Working capital changes	(1,312,412)	2,711,125	(4,023,537)	(148.4)
Cash (used) provided by operations	(3,563,584)	175,766	(3,739,350)	(2,127.5)
Cash flow provided by financing	346,650	8,437,889	(8,091,239)	(95.9)
Cash flow used in investing	(68,156)	(122,099)	53,943	(44.2)
Effect of foreign exchange rate fluctuation in OneSoft U.S. operation	(3,708)	5,055	(8,763)	(173.4)
Net change in cash	(3,288,798)	8,496,611	(11,785,409)	(138.7)
Cash, beginning of year	10,512,039	2,015,428	8,496,611	421.6
Cash, end of year	**7,223,241**	**10,512,039**	**(3,288,798)**	**(31.3)**

Operations, before working capital changes, consumed cash of $2,251,172 in 2020, a reduction of $284,187 from the cash of $2,535,359 used in 2019. The reduction in cash consumption in operations was due to the increased revenue and gross profit in the current year.

Changes in working capital accounts absorbed $1,312,412 in Fiscal 2020 of which the majority portion was caused by the change in deferred revenue which declined by $1,254,798. Clients made payments of $1,849,192 for new or renewed contracts and $3,032,901 of prepayments made in the current and prior year were realized in revenue through CIM usage. The difference between these values, plus a small foreign exchange adjustment, reduced the deferred revenue balance. The majority of our customers prefer to pay their CIM contracts annually upon the anniversary of their contract, a practice management encourages as deferred revenue is a source of short-term financing for the Company.

Financing activities generated $346,650 cash in 2020 as employees and directors exercised stock options. In 2019, the closing of a new financing, less associated costs, provided $8,351,889 and stock option exercises generated $76,000.

Investing activities consumed $68,156 in 2020 comprised of $50,887 in new software development for pipeline Direct Assessment products described earlier in this MD&A and $17,269 in new computer equipment.

In 2020, the Company consumed $3,288,798 versus cash generation of $8,496,611 in 2019. The Company anticipates substantial further cash injection into working capital accounts will not be required in the future provided the Company converts its sales leads to closed sales and clients prepay their 2021 contracts as they have historically done. Management believes the Company has sufficient cash to continue development of its software solutions, finance operations, pursue growth initiatives and increase Company and shareholder value in accordance with its current business plan and objectives.

Total Assets

Total assets of the Company at December 31, 2020 were $8,446,389, a decrease of $3,497,714 from assets of $11,944,103 as at December 31, 2019. Cash and short-term investments decreased $3,288,798 due to cash being used to finance operations. Accounts receivable increased by $142,310 due to the SRED claim processed at year-end. The carrying value of the Company's intangible assets and equipment increased by $68,156 due to the purchase of new computers and the capitalization of software development costs related to Direct Assessment pipeline integrity product and it decreased by $415,669 due to amortization and depreciation.

Total Liabilities

Total liabilities decreased from $2,407,526 as at December 31, 2019 to $1,252,505 as at December 31, 2020. Deferred revenue increased by $1,849,192 due to new and refreshed contracts for CIM usage being prepaid and it decreased $3,075,526 when deferred revenue was realized in earned revenue and a small foreign exchange adjustment was recorded. Accounts payable and accrued liabilities increased $71,312.

Commitment

The Company is committed to pay minimum royalties of US$2.25 million through 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. In 2020, royalties of U.S. $167,078 (2019 - $99,575) were expensed.

Related party transactions

In 2020, the Company expensed $258,386 (2019 - $242,143) in respect of contractual management fees and variable compensation paid to a company owned by Dwayne Kushniruk, CEO. No other compensation was paid directly to him. On December 31, 2020, $157,987 (December 31, 2019 - $167,945) was due to related parties for director and officer fees and incentives not paid at the end of the year.

SHARE DATA

As at March 23, 2021, the Company had outstanding:

- 116,068,147 common shares,
- 8,967,667 stock options with an average strike price of $0.42 and an average remaining life of 2.11 years. Of these, 6,951,004 are exercisable at an average strike price of $0.40.

In 2020, directors, officers, and employees exercised 2,660,000 stock options with an average strike price of $0.13 and expiry dates between January 30, 2020 and October 31, 2021 to acquire the same number of common shares. Cash proceeds were $346,650. In Fiscal 2020, 100,000 stock options were cancelled prior to completion of the related vesting period.

On April 25, 2020, 600,000 share purchase warrants with an average strike price of $1.00 expired without exercise.

RISKS AND UNCERTAINTIES

Covid-19 World Pandemic

The ongoing COVID-19 global pandemic, and actions taken by governmental authorities in response thereto has resulted in increased volatility in financial and commodity markets; an overall slowdown in the global economy; disruptions to global supply chains; reductions in trade volumes; temporary operational restrictions and restrictions on gatherings of individuals, business closures and travel bans and increased political and economic instability. The global pandemic has caused interruptions in and to the Company's customers. Volatility in energy prices has impacted the demand for petroleum products and related transportation services and exposes our customers to risk of a decline in transportation revenue. The full extent and impact of the COVID-19 pandemic is unknown at this time and the degree to which it may impact our business operations and financial results will depend on future developments, which are highly uncertain and cannot be predicted with any degree of confidence, including: the duration, severity and geographic spread of the COVID-19 virus; further actions that may be taken by governmental authorities including in respect of travel restrictions and business disruptions; the effectiveness of actions taken to contain and treat the virus; and how quickly and to what extent normal economic and operating conditions can resume. While to date there has been no material impact on the Company's operations with its existing customers or on our software development and other operations as all employees were working from home offices prior to the pandemic, the Company has been slowed in signing prospective customers to commercial contracts as marketing and sales efforts have been impacted by the effect of the pandemic. The Company continues to assess the situation for adverse effects on its financial position (including possible impairment of the values ascribed to its intangible assets and goodwill), results of operations and cash flows.

Decline in World Energy Prices

The decline in energy prices that occurred in early 2020 have negatively impacted the Company's current and prospective clients, many of which have experienced significant decreases in their market capitalizations. Although the Company's current and prospective clients are primarily midstream pipeline operators whose revenue is not necessarily dependent on energy prices, they may choose to respond to the economic challenges by reducing operating expenses through requests for price reductions from suppliers and curtailment or postponement of new technology adoption, including the Company's solutions and services. This may cause challenges for the Company to grow its number of clients or sustain its revenues, which risks could increase if the clients do not have confidence energy prices will recover or stay recovered.

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

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

Demand for the Company's products is unknown as potential customers may choose to continue to use legacy solutions or alternative technology/solutions. Pipeline operators may currently be using technologies, processes and procedures which they may consider to be adequate to address the guidelines and regulations that govern the safe operation of oil and gas pipelines.

While the Company believes the value proposition of its new cloud technology and products is compelling, there can be no assurance that potential customers will adopt the Company's products or be willing to change their current practices. Accordingly, the addressable market as estimated by the Company may not be captured as anticipated.

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

The Company's pricing model is different from current industry practices and may not be accepted by the industry

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

Future planned functionality enhancements may not be feasibly marketable

Planned future enhancements to the Company's products may not be sufficiently compelling to potential customers, which could prevent the Company from attaining its planned future pricing structure and materially alter the Company's current estimate of its addressable market and related potential revenue.

The Company has disclosed its intention to develop its products and continue to improve CIM functionality and it is the Company's belief that customers will be willing to pay higher prices for this additional functionality. There can be no assurance that prospective customers will find such future functionality to be sufficiently compelling to warrant the higher pricing. Additionally, the Company may ultimately determine that it may be uneconomic to pursue subsequent development if the current version of the product is not purchased in enough numbers by customers. Any of these factors may cause the Company to not pursue the development and sales of its planned products, or not to continue to provide their availability, which could materially reduce the Company's current estimate of and generation of revenue.

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

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

Personnel and Key Employee risks

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

The Company has entered into employment agreements with its officers and other key employees. OneSoft's operational success depends strongly on the abilities and experience of its executive officers and key employees. Competition for highly skilled management, technical, research and development, and other key employees is significant in the software industry, and the loss of key employees could disrupt operations and impair the Company's ability to compete effectively. As part of our software offerings, we provide services that require highly specialized knowledge of the Microsoft Cloud, software training, end-user

support, and the determination of best practices. There can be no assurance that the Company will retain its key personnel, or in the event of a key person leaving the Company, that a suitable replacement will be found in a timely manner.

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

Our growth will place a significant strain on our managerial, administrative, operational, financial and other resources. We intend to further expand our overall business, including headcount, with no assurance that our revenues will continue to grow. As we grow, we will be required to continue to improve our operational and financial controls and reporting procedures and we may not be able to do so effectively. As such, we may be unable to manage our expenses effectively in the future, which may negatively impact our gross profit or operating expenses. We are also subject to the risks of over-hiring and/or overcompensating our employees and over-expanding our operating infrastructure.

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

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

Better-capitalized companies could negatively impact OneSoft's financial results of operations

Other corporations with considerable financial resources may have the ability to encroach on our competitive position within our chosen marketplace or compete successfully with our products and services by providing better marketing, services or support for clients. They may introduce applications that compete with our products and services and their larger sales volumes may allow them to reduce prices to levels that are uneconomic to us. Any significant adverse effect on our revenue or cost structure may materially affect our financial position.

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

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

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

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

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

From time to time in the ordinary course of our business, we may become involved in various legal proceedings, including commercial, product liability, employment, class action and other litigation and claims, as well as governmental and other regulatory investigations and proceedings. Such matters can be time-consuming, divert management's attention and resources

and cause us to incur significant expenses. Furthermore, because litigation is inherently unpredictable, and can be very expensive, the results of any such actions may have a material adverse effect on our business, operations or financial condition.

Cybersecurity risks may not be fully mitigated

The Company stores all its information, software applications, customer data and internal financial system on remote servers in the Microsoft Azure Cloud Platform. The Company provides customers access to the software applications housed on those remote servers using online ID and password systems. All computers are protected by antivirus software, multi-factor authentication, the use of personal IDs and passwords and other means to prevent unauthorized access. The Azure platform is continually tested by Microsoft and it is always in compliance with the very latest and highest level of computer industry security certifications and Microsoft provides guidance to its customers to allow them to adopt these same protections and comply with very high cyber security standards. The Company places a high reliance on those certifications to protect the data it stores on those servers. Despite those protections, the Company acknowledges it may be susceptible to a cybersecurity attack by determined activists which could potentially lead to the loss of sensitive data and the loss of customers and the related revenue they pay to the Company, and / or cause the Company to suffer remediation costs which could be very expensive or perhaps fatal to the Company. There can be no assurance that Company security policies would be effective to ward off all threats to its cybersecurity protections.

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

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

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

FINANCIAL INSTRUMENTS

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:

	December 31, 2020	December 31, 2019
Financial assets	**$**	**$**
Cash and cash equivalents	7,223,241	6,965,916
Short-term investments at amortized cost	-	3,546,123
Trade and other receivables	195,259	52,949
	7,418,500	10,564,988
Financial Liabilities		
Accounts payable and accrued liabilities	838,959	767,647

Measurement of fair value

Due to their short-term nature, and liquidity of the Company's financial instruments, fair value approximates their carrying value.

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 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. 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 financial statements.

	December 31, 2020 $ (USD)	December 31, 2019 $ (USD)
Cash and cash equivalents	1,537,186	804,412
Trade and other receivables	17,603	30,967
Accounts payable and accrued liabilities	(251,790)	(165,421)
Total exposure	1,302,999	669,958

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, 2020 (year ended December 31, 2019 - 10%). This percentage was determined based on the average market volatility in the exchange rate in each reporting period. The sensitivity analysis is based on the Company's foreign currency financial instruments held at each reporting date and considers forward exchange contracts that offset effects from changes in currency exchange rates.

Strengthening or weakening of the Canadian dollar against the USD by 10% (December 31, 2019 - 10%) would have had the following applicable positive or negative impact on net (loss) income:

	Profit	Equity
	$	$
December 31, 2020	29,171	29,171
December 31, 2019	8,115	8,115

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.

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, 2019: +/- 1%). These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant. As of December 31, 2020, approximately 92.8% (December 31, 2019 – 92.8%) of the Company's cash balances were held in interest bearing bank balances and fixed interest rate GICs.

	Profit	Equity
	$	$
December 31, 2020	49,157	49,157
December 31, 2019	73,257	73,257

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:

	December 31, 2020	December 31, 2019
	$	$
Classes of financial assets - carrying amounts:		
Cash and cash equivalents	7,223,241	6,965,916
Short-term investments	-	3,546,123
Trade and other receivables	195,259	52,949
Carrying amount	7,418,500	10,564,988

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 providing customers incentives to pay in advance or invoicing with short credit terms and actively collecting its accounts receivable. The Company is exposed to credit risk through its cash. The Company manages the credit risk associated with its cash by holding its funds with reputable financial institutions. Company policy forbids investment of cash and cash equivalents into any financial instrument where the principal may be at risk.

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

The Company's management considers its financial assets to be of very good credit quality and records an estimate of credit loss for any portion considered impaired.

The aging of accounts receivable was:

			December 31, 2020
	Gross trade and other receivables	Allowance for doubtful accounts	Net trade and other receivables
	$		$
Current	189,695	-	189,695
Past due 30 to 60 days	5,564	-	5,564
Total	195,259	-	195,259

			December 31, 2019
	Gross trade and other receivables	Allowance for doubtful accounts	Net trade and other receivables
	$		$
Current	35,481	-	35,481
Past due 30 to 60 days	17,468	-	17,468
Total	52,949	-	52,949

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 outstanding from customers have no risk of not being collected.

Liquidity risk analysis

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

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

The Company's financial liabilities are short-term in nature and payment is due within one year. Financial liabilities outstanding were December 31, 2020 - $838,959 (December 31, 2019 - $767,647).

The Company considers cash flows from financial assets of $7,418,500 (December 31, 2019 - $10,564,988) in assessing and managing liquidity risk. The Company's existing cash resources and trade receivables exceed its current cash outflow requirements. Cash flows from trade and other receivables are contractually due within two months.

CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Revenue and deferred revenue

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

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

No new Financial Standards were adopted in the year.

MEASURES NOT IN ACCORDANCE WITH IFRS

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

	Three months ended December 31,		Year ended December 31,	
	2020 $	2019 $	2020 $	2019 $
Net loss	(939,229)	(1,124,830)	(3,256,082)	(3,605,930)
Add (subtract):				
Depreciation and amortization	105,607	108,630	415,669	407,360
Stock based compensation	98,440	101,775	589,241	663,211
Interest income	(16,894)	(78,210)	(114,655)	(147,415)
Adjusted EBITDA	(752,076)	(992,635)	(2,365,827)	(2,682,774)

ADVISORY REGARDING FORWARD LOOKING INFORMATION

This MD&A and the audited consolidated Financial Statements for the years ended December 31, 2020 and December 31, 2019 (the "2020 Reporting Documents") contain historical information, descriptions of current circumstances and statements about potential future developments, anticipated financial results, and performance or achievements of the Company. Statements made regarding potential future developments, and anticipated financial results, performance or achievements of the Company are forward-looking statements and are presented to provide guidance to the reader but their accuracy depends on assumptions and are subject to various known and unknown risks and uncertainties. Forward-looking statements are included under the headings: "Highlights of Fiscal 2020", "OneBridge Innovation Lab & Technology Roadmap", "Advancement in Technology", "Why 100% Pit-to-Pit Anomaly Alignment using Machine Learning is Innovative", "Case Studies – Comparing CIM to Industry Current Systems for Pit-to-Pit Anomaly Alignment and Pipeline Threat Analyses", "Potential Revenue Growth Opportunities", "Potential Use of the CIM Platform for Water and Waste-Water Markets", "CIM Product Development in Fiscal 2020", "New CIM Pricing Model", "Corporate Activities", "Business Outlook", "Activities Subsequent to Fiscal 2020 Year End", "Financial Condition & Liquidity", and "Risks and Uncertainties" and in other sections of this MD&A. When used in the MD&A, such statements may contain such words as "may," "will," "intend," "should," "expect," "believe," "outlook," "predict," "remain," "anticipate," "estimate," "potential," "continue," "plan," "could," "might," "project," "targeting" or the negative of these terms or other similar terminology. Forward looking information in the 2020 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 2020 Reporting Documents and are subject to risks described on page 18 of this MD&A 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 the effects of the Covid-19 world pandemic and related effects on the North American global economy which may transmit to OneSoft Solutions, dependence on market economic conditions, the efficacy of the Company's software products, sales and margin risk, acquisition and integration risks, competition, information system risks, risks associated with the introduction of new products, product design risk, environmental risks, customer and vendor risks, credit risks, currency risks, tax risks, risks of legislative changes, risks relating to remote operations, key executive risk and litigation risks. In addition, there are numerous risks associated with an investment in the Company's common shares, which are also further described in the "Risks and Uncertainties" section in this MD&A, and as updated from time to time, the Company's other public filings on SEDAR. These risks and uncertainties may cause actual results to differ materially from those contained in the statements. Such statements reflect management's current views and are based on certain assumptions. Some of the key assumptions include but are not limited to: assumptions regarding the performance of the Canadian and the United States economies; interest rates; exchange rates; capital availability; the amount of the Company's cash flow from operations; tax laws; laws and regulations relating to the protection of the environment; and capital spending requirements or planning in respect thereto, including but not limited to the performance of any such business and its operation. They are, by necessity, only estimates of future developments and actual developments may differ materially from these statements due to known and unknown factors. Investors are cautioned not to place undue reliance on these forward-looking statements. All forward-looking information in the 2020 Reporting Documents is qualified by these cautionary statements. Although the forward-looking information contained these 2020 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 2020 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 2020 Reporting Documents.

The forward-looking statements contained in the 2020 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.