NERDS ON SITE INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED MAY 31, 2018

The following Management Discussion and Analysis ("MD&A") of the financial condition and results of Nerds on Site Inc. (the 'Company') is prepared as of September 27, 2018. In this MD&A only, references to the ''Company'', ''NOS'', ''we'', ''us'' or ''our'' refer to Nerds on Site Inc. This MD&A should be read in conjunction with our audited financial statements for the year ended May 31, 2018. The MD&A contain certain forward-looking information that involves risks and uncertainties, including but not limited to, those described in the ''*Risk Factors*'' section of this prospectus.

Basis of Presentation

Our audited financial statements have been prepared in accordance with IFRS and are presented in Canadian dollars unless otherwise indicated. We manage our business based on one operating and reportable segment.

All references in this MD&A to ''Fiscal 2018'' are to our fiscal year ended May 31, 2018, references to ''Fiscal 2017'' are to our fiscal year ended May 31, 2017, and references to ''Fiscal 2016'' are to our fiscal year ended May 31, 2016.

Non-IFRS Financial Measures

This MD&A may refer to certain non-IFRS measures. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of our results of operations from management's perspective. Accordingly, these measures should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. We use "days sales outstanding" as a non-IFRS measure of outstanding receivables – the number of receivables divided by annual sales divided by 365.

Overview

The Company was incorporated on June 26, 1996 pursuant to the Ontario Business Corporations Act and is engaged in the business of providing information technology services, hardware, software and related support agreements.

We are an IT service/managed service provider, we operate a network of 125 sub-contractors ("Nerds") servicing on average 11,000 customers per year in Canada, with over 130,000 customers serviced since the inception. Our centralized ERP system IAMANERD.COM ("IAMANERD") is an online operating system that manages day to day operations of our Nerds.

In Fiscal 2018, the Company was operating in the usual business mode without any material increase in clients lists, number of Nerds or other material performance data. With the planned expansion into United States, the Company focused on business planning, negotiations and discussion with funding providers on different funding methods to fund the expansion in United States. Revenue decreased from $8.667 Million in Fiscal 2017 to $8.440 Million in Fiscal 2018.

IAMANERD contains marketing hub, inventory processing, client processing tools and database, Nerd to Nerd communication medium, credit card payment tools, central ordering, purchasing and invoicing, and a continuing education hub called University of NERDology. This system has been developed by the Company over the last 10 years and is being developed continuously.

Thanks to IAMANERD our Nerds spend most of their time servicing clients. The administration/inventory and other day-to-day admin is done by the system and our admin office that oversees the operation. Our Canadian Nerds are motivated proprietors, who operate under an agreement with the Company, wearing our branded bright red T-shirts and driving bright red fully branded cars, mostly VW Beetles (“NerdMobiles”). Our business model was created to be as flexible for expansion as possible, with low overhead costs. Our Nerds are compensated on per deal or per contract basis, on various revenue splits. Revenue splits range from 37% of the contract revenue to Nerd to 50% of the contract revenue to Nerd. In addition to revenue splits our Nerds receive various volume incentives.

We are very protective of the Nerd Brand. Keyword Nerd, Nerd-mobile, and other combinations are either trademarked or trademark application filed in 12 countries. We continue to develop and monitor our trademark portfolio on monthly and quarterly basis.

We have exclusive software sales agreements with several related companies providing SaaS products. Those products include TimeWellScheduled ™, DNS Thingy ™, MYbusinessOS ™. From each software sale we receive a 20% royalty, which is split based on our standard splits with Nerds.

In Fiscal 2018 and onwards, the focus is to penetrate and roll out our business in the USA. We have a roll out strategy that is in line with historic roll out that was exercised in Canada in multiple cities. The strategy is based on launching in smaller cities and rippling out to neighboring major metropolitan areas. With a smaller number of Nerds and NerdMobiles we generate higher levels of brand recognition and penetration with our marketing tactics of parading in downtown, commercial and industrial sectors. Our US Nerds will be franchisees managed by the Company in the beginning of the roll out. Once business volume is established in the smaller cities close to our historic average, we will attract area developers - to manage, lead and grow individual areas. Pricing of each area developer franchise is based on the number of listed businesses listed by the USA Postal site, targeted at $5-$7 per zip code being purchased.

Our major challenges in 2018 will be effectively recruiting new Nerds and arranging a cost-efficient lease/financing program in US to acquire NerdMobiles. Flexibility on this front enables the transfer of financing and/or lease arrangements from the Company to each Nerd franchisee. A proven and time-tested series of marketing tactics should enable the initiation of cash flow from new operations within 60-90 days.

Key Performance Indicators

Key performance indicators that we use to manage our business and evaluate our financial results and operating performance include: recurring revenue, total revenue, number of customers and expenses. We evaluate our performance on these metrics by comparing our actual results to management budgets, forecasts and prior period performance.

Recurring revenue and retention rates

Our consulting service customers generally enter into agreements, for use of our services. Most of these agreements include provisions by which they renew following the initial term. Our consulting services model results in a high proportion of recurring revenue. The power of the consulting service model is only fully realized when a vendor has high retention rates. Our emphasis on recurring revenue has resulted in growth and in revenue maintenance over the past years.

The recurring nature of our revenue provides high visibility into future performance, and upfront payments result in cash flow generation in advance of revenue recognition. However, this also means that agreements with new customers or agreements with existing customers purchasing additional services in a quarter may not contribute significantly to current quarter revenue. As an example, a new customer who enters into an agreement on the last day of a quarter will have no impact on the revenue recognized in that quarter.

Number of customers

We believe that our ability to expand our customer base is an indicator of our market penetration and the growth of our business. We define customers as the number of independent entities that are separately billed.

Significant Factors Affecting Results of Operations

Our results of operations are influenced by a variety of factors, including:

Revenue

The Company recognizes revenue at the time significant risk and rewards of ownership have been transferred to the customer or the services have been performed, the price is fixed or determinable, collectability is reasonably assured, and costs incurred can be measured reliably. Amounts invoiced to customers, primarily deposits that do not meet the revenue recognition criteria are considered ‘deferred’ and are included with the Company’s current liabilities for reporting purposes.

The Company’s revenues were principally derived from the following sources:

Service fees charged for consulting services performed by the Company’s IT consultants under written service contracts with customers. The service contracts the Company enters into, generally fall into three specific categories: time and materials, fixed-price and prepaid service agreements.

Sale of off the shelf software, hardware and related support which are specifically charged on the Company’s invoices. Software, hardware and related service are part of what the Company provides to small and medium size enterprises when providing consulting. Software, hardware and related service items are priced and billed separately from IT service charges.

The Company’s customers may also be charged miscellaneous fees, including software licensing fees, shipping fees, cloud storage fees, web hosting fees and fees for other miscellaneous services.

Cost of Revenue

Cost of revenue include both subcontract costs for providing information technology and related services and associated hardware and software costs. The Company provides mobile IT support for various businesses including PC set up, network installation and support & tailored software services. The Company uses a specially trained network of technically proficient IT consultants to help clients on site by providing effective, consistent and customized IT solutions.

Selling, general and administrative expenses

Selling, general and administrative expenses consist primarily of salaries and related expenses for our sales, administrative and marketing staff, including management services, data centre and call centre costs, professional and legal costs and banking services. These costs also include advertising, events, corporate communications, brand building and product marketing activities. We plan to continue to invest in sales and marketing by expanding our domestic and international selling and marketing activities, building brand awareness and sponsoring additional marketing events. We expect that in the future, sales and marketing expenses will increase with increase in revenue in absolute dollars and we incur additional employee-related costs and professional fees related to the growth of our business and international expansion.

Our presentation and functional currency is Canadian dollars and all the amounts in this management discussion and analysis are in Canadian dollars unless otherwise indicated. We derive most of our revenue from customers who pay in Canadian dollars. Our head office and most of our employees are in Ontario, Canada, and as such a significant amount of our expenses are paid in Canadian dollars. We have negligible transactions in currencies other than Canadian dollars and as such have limited exposure to risk of currency gain or loss.

Results of Operations

	Years ended/as at May 31,		
	2018	2017	2016
	(thousands of dollars) (except per share amounts)		
Total Revenue	8,440	8,667	9,016
Gross Profit	2,192	2,515	2,926
Operating Expenses	3,030	2,434	2,953
Operating profit (loss)	(838)	81	(27)
Net loss	(1,518)	(21)	(95)
Loss per share – Basic and Diluted	(0.0283)	(0.0004)	(0.0019)
Total Assets	4,324	2,506	2,706
Total Liabilities	5,610	2,573	2,751
Cash flows from (used in) operating activities	(562)	60	(151)
Cash flows from investing activities	(21)	601	268
Cash flows used in financing activities	1,882	(691)	(125)

Discussion of Operations-Years ended May 31, 2018, 2017 and 2016

Revenue

The Company has a single reportable segment for mobile IT consulting services. We recorded total revenue of $8,440 Million in Fiscal 2018, $8.667 Million in Fiscal 2017 and $9.016 Million for Fiscal 2016. Total revenue dropped marginally by 3% in Fiscal 2018 when compared to Fiscal 2017 and dropped by 4% in Fiscal 2017 when compared to Fiscal 2016.

In Fiscal 2018, the Company was focused on business planning, negotiations and discussion with funding providers on different funding methods to fund the expansion in United States without any material increase in clients lists, number of Nerds or other material performance data.

Break-up of revenue (thousands of dollars)			
	Fiscal 2018	Fiscal 2017	Fiscal 2016
	$	$	$
Service fees	4,260	4,543	4,941
Produce revenue (Sale of software, hardware and related)	4,123	3,993	3,963
Miscellaneous fee	56	131	112
Total revenue	**8,440**	**8,667**	**9,016**

Gross Profit

The Company recorded gross profit of $2.192 Million in Fiscal 2018, $2.515 Million in Fiscal 2017 and $2.926 Million in Fiscal 2016.

	Year ended May 31, 2018	2017	2017 to 2018 % change
	(thousands of dollars)		
Total Revenue	$8,440	$8,667	(3) %
Gross Margin	$2,192	$2,515	(13) %
Gross Margin %	**26%**	**29 %**	

Our overall gross margin as a percentage of revenue decreased by 3% between fiscal years 2018 and 2017. Our reduced margin to 26% is primarily due to our revenue mix between sale of software, hardware consulting services.

Selling, general and administrative expenses

	Year ended May 31, 2018	2017	2017 to 2018 % change
	(thousands of dollars)		
Total Expense	3,006	2,422	(24) %
As a percentage of revenue	**36%**	**28%**	

Break-up of expenses:
(In thousands of dollars)

	2018	2017	2016
	$	$	$
Advertising and promotion	288	96	96
Automobile expenses	17	16	31
Bank and interest charges	192	195	221
Business development	163	146	170
Communication	280	127	180
Payroll and related	320	267	233
Management remuneration	397	208	276
Office and administrative expenses	334	279	324
legal and professional	304	193	180
Programming and related costs	711	895	1,231
Total	3,006	2,422	2,942

Selling, general and administrative expenses have seen reduction from 2016 to 2017, with decrease of $0.5 Million or 18% from 2016 to 2017. However, there was increase in expenses during the year 2018, primarily due to additional costs incurred by the Company with the planned expansion into the United States and the Company moving towards becoming a public company. The main drivers for the increase in 2018, is the increase in advertising and promotion costs expensed in new markets, additional costs of $46 Thousand relating to broker warrants expensed and additional costs for legal, audit, employee and business development costs. In addition, the Company recorded a higher management remuneration of $189 Thousand during fiscal 2018 as compared to fiscal 2017.

Operating profit (loss)

	Year ended May 31,	
	2018	2017
	(thousands of dollars)	
Operating profit (loss)	(838)	81

Our operating loss of (838) Thousand in Fiscal 2018 as compared to an operating profit of $81 Thousand in fiscal 2017. The operating loss is result of combination of lower operating margin and increase in operating costs as explained above.

Net Income (loss)

	Year ended May 31,	
	2018	2017
	(thousands of dollars)	
Net loss	($1,518)	($21)

Our net loss was $1,518 Thousand in fiscal 2018 as compared to net loss of $21 Thousand in fiscal 2017. Beyond the impact of operating profit (loss) as noted above, the other drivers for our annual net losses in 2018 and 2017 is the interest expense for $334 Thousand and $78 Thousand for 2018 and 2017 respectively, non-cash accretion expense of $282 Thousand (2017: $nil) relating to convertible debt issued and non-cash amortization of deferred financing costs for 127 Thousand (2017: $nil)

Key balance sheet items

	As at May 31,	
	2018	2017
	(thousands of dollars)	
	$	$
Total Assets	4,324	2,506
Total Liabilities	5,610	2,573
Total non-current liabilities	231	332
Cash dividends declared for common shares	$nil	$nil

The Company has issued preferred shares which are non-voting and entitle the holder to cumulative dividends at a rate of 7.25% per year, paid quarterly, beginning June 30, 2016.

The primary reason for increase in total assets and total liabilities in 2018 is the direct result of the Company raising $2.8Million in convertible debt in the second quarter of 2018.

Our balance sheet has several key items that are necessary to analyze to gain a full understanding of our financial results. The following analysis explains those items.

Trade and other receivables

	As at May 31,	
	2018	2017
	(thousands of dollars)	
	$	$
Trade and other receivables (net)	126	304
Days sales outstanding ("DSO")	9 days	14 days

As at May 31, 2018, our trade receivables balance was $126 Thousand, which is approximately 60% less from the prior year. The material change in the trade receivable is primarily the better management of receivables and an allowance for doubtful accounts for $80 Thousand in 2018 (2017: $nil). We have a diverse group of customers, not one of which represents greater than 10% of the total receivables balance.

Accounts payable and accrued liabilities

	As at May 31,	
	2018	2017
	(thousands of dollars)	
	$	$
Accounts payable	684	545
Accrued liabilities	155	93
Wages payable	12	9
Accrued interest	165	-
Total	1,016	647

Preferred Shares

On January 27, 2015, the Company issued 1,000,000 shares of Class B Preferred shares to the three founding shareholders. Each Class B Preferred share is entitled to 10 votes per share. Proceeds to the Company were $nil. Class B Shares were issued to provide the founders with 10 votes per share, do not entitle the holders to interest, dividends, and do not provide rights to the assets of the Company in the event of a liquidation of the Company.

	As at May 31,	
	2018	2017
	(thousands of dollars)	
	$	$
Preferred shares	470	500

On January 27, 2015, the Company issued 1,000,000 Class A Preferred shares. The Class A shares are non-voting and entitle the holder to cumulative dividends at a rate of 7.25% per year, paid quarterly, beginning June 30, 2016 and are redeemable upon given notice at any time, the whole or from time to time any part of the outstanding shares, by the Company from the date of issuance in cash for $1 per share together with an amount equal to all dividends accrued and remaining unpaid. The shares are redeemable any time by the shareholder, with 30 days-notice, starting from June 30, 2016. The Class A Preferred shares do not meet the criteria for equity classification under IFRS due to the cash redemption feature and have therefore been recorded as a liability. During the year ended May 30, 2017, the Company redeemed $500 Thousand of the Class A Preferred shares and during the year ended May 31, 2018, the Company redeemed $30 Thousand of the Class A Preferred shares.

Deferred revenue

	As at May 31,	
	2018	2017
	(thousands of dollars)	
	$	$
Deferred revenue	268	261

Our business model results in us billing our customers in advance of providing the service and, as a result, we record deferred revenue at the close of the reporting period.

Liquidity and capital resources

	As at May 31,	
	2018	2017
	(thousands of dollars)	
	$	$
Cash	1,336	38

The Company's primary cash flow has come from its sale of software, hardware and consulting services. The Company has also increased liquidity through debt financing at various times in its history. The Company has successfully raised $2.8 Million by issue of convertible debt in the second quarter of 2018.

The following is a summary of our cash flows provided by (used in) operating activities, investing activities and financing activities for the years and periods as indicated:

	Year ended May 31,	
	2018	2017
	(thousands of dollars)	
	$	$
Operating activities	(395)	60
Investing activities	(21)	601
Financing activities	1,714	(691)
Increase (decrease) in cash	1,298	(30)
Cash beginning of period/year	38	68
Cash end of period/year	1,336	38

Net cash from (used) in operating activities

Cash flow used in operations for Fiscal 2018 was ($395) Thousand as opposed to cash from operations for Fiscal 2017 of $60 Thousand. The primary driver of the year-over-year change was the increase in selling, general and administrative costs in Fiscal 2018 which resulted in net loss of $1,518 Thousand in Fiscal 2018 as compared to a net loss of $21 Thousand in Fiscal 2017. The timing of receipts and payments, including reduction in accounts receivables by $178 Thousand in Fiscal 2018 as compared to a reduction in accounts receivables by $80 Thousand in Fiscal 2017 resulted in improvement in cash from operating activities in Fiscal 2018. The change in trade payables in Fiscal 2018 resulted in increase in cash of $369 Thousand as compared to use of cash of $108Thousand in Fiscal 2017.

Net cash from (used) in investing activities

Cash flow used in investing activities was ($22) Thousand in Fiscal 2018 as compared to cash flow of $601Thousand in Fiscal 2017. Relating to the sale of Series A preferred and common share issuance on January 27, 2015, the Company has segregated the proceeds from this transaction pursuant to agreement that $1 Million of the funds were restricted for the short- term needs of the Company. As of June 1, 2015, the Company had $1 million reflected in its statement of financial position. As of May 31, 2016, the balance in restricted cash was $726 Thousand and as of May 31, 2017, the balance in restricted cash was $30 Thousand. The change in restricted cash resulted in cash inflow of $697 Thousand in Fiscal 2017. During Fiscal 2018, the outflow of cash was primarily for payment related to internally generated intangible asset for ($18) Thousand (2017: outflow of ($63) thousand) and purchase of property and equipment for ($39) Thousand (2017: outflow of ($32) Thousand.

Net cash from (used) in financing activities

Net cash from financing activities in Fiscal 2018 was $1,714 Thousand as compared to net cash used in financing activities of ($691) Thousand in Fiscal 2017. On October 27, 2017, the Company completed the issuance of an aggregate of $2,140 Thousand principal amount of unsecured convertible debentures at a price of $1Thousand per convertible debenture. On November 20, 2017, the Company completed the issuance of an additional $720 Thousand principal amount of unsecured convertible debentures due November 20, 2018 at a price of $1 Thousand per convertible debenture. The debentures are unsecured convertible debentures and bear simple interest at a rate of 10% per annum from the date of issue.

In 2018, the Company reduced debt from loans and capital lease by $(230) Thousand as compared to increase in debt from loans and capital lease by $254 Thousand in 2017. In addition, the Company redeemed Series ‘A’ preference shares for $(30) Thousand in 2018 as compared to $(500) Thousand in 2017.

As of May 31, 2018, the Company has a working capital deficiency of $3.8Million.

The following constitutes the current assets and current liabilities as of May 31, 2018:

ASSETS		(thousands of dollars)
CURRENT		
Cash	$	1,336
Restricted cash		2
Accounts receivable (net of allowances)		126
Inventory		73
Prepaid expenses and other current assets		90
		1,627
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$	1,016
Deferred revenue		268
Bank debt		273
Preferred shares		470
Dividend payable		61
Convertible debentures		2,558
Derivative liability		390
Current portion of loans and capital leases payable		343
		5,379

After the year, during the second quarter for fiscal 2018, the Company raised approx. $2.9M of principal amount of unsecured convertible debentures which carry interest at 10% per-annum and mature one year from date of issuance if not converted. The Company will need funds to repay the Convertible debentures who opt not to convert.

Contractual Obligations

The aggregate amount of principal payments required in each of the next 5 years to meet the retirement provisions of loans and capital leases payable are as follows:

Fiscal year		May 31, 2018 Principal (in thousands of dollars)
2019	**$**	343
2020		56
2021		30
2022		25
2023		30
	$	484

The carrying values of our loan and capital lease payable are as follows:

		May 31, 2018 (in thousands of dollars)
Current portion		
Balloon loans payable	$	250
BDC Loans		75
Capital leases		18
		343
Non-current portion		
BDC Loans		98
Capital leases		43
		141
	$	484

In addition, the Company has a revolving line of credit from Toronto-Dominion Bank ("TD Bank") available for up to $175 Thousand to fund working capital. Interest is charged at TD Bank Prime rate plus 2.25% and repayment is due on demand. The operating line is secured by a general security agreement, assignment of insurance, unlimited guarantee advances executed by the Company and postponement of assignments of creditors' claims. Any amount overdrawn over $175 Thousand are considered temporary as such overdrawn amounts are repaid subsequently.

The balance outstanding was $273 Thousand and $252 Thousand at May 31, 2018 and 2017 respectively, presented as current liability on the statements of financial position.

	Payments Due by Period				
Contractual Obligations	**Total (thousands of dollars)**	**Less than 1 Year**	**1 – 3 Years**	**4 – 5 Years**	**After 5 Years**
Obligations	Total	1 Year	Years	Years	5 Years
Loans and Capital Lease Obligation	484	343	111	30	nil
Operating Leases	65	32	33	Nil	nil
Purchase Obligations	nil	nil	Nil	Nil	nil
Total Contractual Obligations	$549	$375	$144	$30	nil

Off-balance sheet arrangement

The Company has no off-balance sheet arrangement as of May 31, 2018 and May 31, 2017.

Transactions with related parties

The origin of these related party receivables was to provide start-up costs and cash flow for start-up operations.

	Year ended May 31,	
	2018	2017
	(thousands of dollars)	
	$	$
Ready Aim Fire Enterprising Inc. (a) and (b)	834	707
Nerds On-Site South Africa (b)	294	328
DNSthingy Inc. (a) and (b)	999	663
Other related parties (b)	273	167
	2,400	1,865

(a) via same key management personnel
(b) by virtue of common control
(a) and (b) these are due upon demandable and interest-free

Key management personnel are comprised of the Company's directors and executive officers. Key management personnel compensation is as follows:

	For the year ended May 31, 2018 *	For the year ended May 31, 2017
	(in thousands)	(in thousands)
Salaries and benefits, including bonuses	$ 397	$ 208
Total	$ 397	$ 208

*Includes compensation of $150 Thousand paid to a related party by issuance of 7,500,000 common shares

Outstanding Share Data

(a) Authorized: Unlimited number of common shares

(b) Issued

On June 25, 1996, the Company issued 1,550 founder shares to three founding stockholders. Effective with a stock split on January 27, 2015 of 5,031 to 1, the 1,550 shares were adjusted to 7,800,000 common shares outstanding. Effective with stock split on October 3, 2017, these 7,800,000 common shares outstanding were further adjusted to 39,000,000 common shares outstanding. Historical amounts have been adjusted to reflect the stock split.

On February 20, 2013, the Company issued, on a split adjusted basis, 1,199,000 shares of common stock to two consultants in exchange for consulting services to execute certain capital market transactions. Effective with stock split on October 3, 2017, these 1,199,000 common shares outstanding are adjusted to 5,995,000 common shares outstanding. The shares were valued based on the value of services provided and the Company recorded a charge of $191,859 recorded over three years (2013 - 2015) based on term of services provided.

On January 27, 2015, the Company issued 1,000,000 shares of Class B Preferred shares to the three founding shareholders. Each Class B Preferred share is entitled to 10 votes per share. Proceeds to the Company were $nil. Class B Shares were issued to provide the founders with 10 votes per share, do not entitle the holders to interest, dividends, and do not provide assets rights in the event of a liquidation of the Company.

On January 27, 2015, the Company issued 1,000,000 Class A Preferred shares and 1,000,000 Common shares to a certain investor in exchange for $1,000,000. Effective with stock split on October 3, 2017, these 1,000,000 common shares outstanding are adjusted to 5,000,000 common shares outstanding. The Class A shares are non-voting and entitle the holder to cumulative dividends at a rate of 7.25% per year, paid quarterly, beginning June 30, 2016 and are redeemable upon given notice at any time, the whole or from time to time any part of the outstanding shares, by the Company from the date of issuance in cash for $1 per share together with an amount equal to all dividends accrued and remaining unpaid. The shares are redeemable any time by the shareholder, with 30 days-notice, starting from June 30, 2016. The Class A Preferred shares are not convertible but do have priority in event of liquidation. Preferred shares do not meet the criteria for equity classification due to the cash redemption feature and have therefore been recorded as a liability. During the years ended May 21, 2018 and 2017, the Company redeemed $30,000 and $500,000 of preferred shares respectively.

On November 8, 2017, the Company issued 100,000 common shares at $0.25 per share for a total cash consideration of $25,000. On November 8, 2017, $50,000 of debt was settled by issuance of 200,000 common shares at $0.25 per share.

During the year ended May 31, 2018, the Company issued 7,500,000 common shares issued of $150,000 owed to a related party for services. These common shares issued for services were recorded based on the fair value of services received by the Company.

As at May 31, 2018 and May 31, 2017, the Company had the following number of shares outstanding post- split adjustment:

Description	May 31, 2018	May 31, 2017
Common A Shares	57,795,000	49,995,000
Class A Preferred Shares	470,000	500,000
Class B Preferred Shares	1,000,000	1,000,000

All references to common shares and per common share amounts have been retroactively adjusted to reflect the five-for-one forward stock split which was effective October 3, 2017, unless otherwise noted

Financial Instruments and risk management

All financial instruments are initially recognized at fair value on the statements of financial position. The Company has classified each financial instrument into one of the following categories: (1) financial assets or liabilities at fair value through profit or loss ("FVTPL"), (2) loans and receivables, (3) financial assets available-for-sale, (4) financial assets held-to maturity, and (5) other financial liabilities. Subsequent measurement of financial instruments is based on their classification.

Financial assets and liabilities at FVTPL are subsequently measured at fair value with changes in those fair values recognized in the statements of (loss) and comprehensive (loss). Financial assets "available-for-sale" are subsequently measured at fair value with changes in fair value recognized in other comprehensive (loss), net of tax.

The Company's financial assets and liabilities are recorded and measured as follows:

Asset or Liability	Category	Measurement
Cash and restricted cash	FVTPL	Fair value
Accounts receivable and due from related parties	Loans and receivables	Amortized cost
Accounts payable, accrued expenses, bank debt, preferred shares, dividend payable, convertible debentures, due to a related party, loans and capital leases payable	Other liabilities	Amortized cost
Derivative liability	FVTPL	Fair value

The Company classifies the fair value of financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.
Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

Credit risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. For financial assets, this is typically the gross carrying amount, net of any amounts offset and any impairment losses. In the normal course of business, the Company's trade accounts receivable are potentially exposed to credit risk from its customers. To mitigate this risk the Company provides an allowance for doubtful accounts equal to the estimated losses expected to be incurred in the collection of accounts receivable.

Interest rate

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in interest rates. The Company does not believe that the results of operations or cash flows would be affected to any significant degree by a sudden change in market interest rates, relative to interest rates on cash and cash equivalents and bank debt due to the short-term nature of these balances and the loans and capital leases payable due to the Company's current borrowing rate does not materially differ from market rates for similar bank borrowings.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty raising liquid funds to meet commitments as they fall due. In meeting its liquidity requirements, the Company closely monitors its forecasted cash requirements with expected cash drawdown.

The Company had no current commitment for capital expenditures as at May 31, 2018. Accounts payables, accrued liabilities and bank debt are due within the next 12 months. Due to a related party will not be called for payment within the next 12 months. Dividends on preferred shares accrued quarterly beginning June 30, 2016. Loans and capital leases payable are due on 2019 and 2020, and are payable monthly principal plus interest, until their maturity date.

Currency risk

The Company's functional currency and its reporting currencies are both in Canadian dollars. The Company has negligible transactions in currencies other than Canadian dollars and as such has limited exposure to risk of currency gains or losses.

Capital Management

Our objective in managing capital is to ensure sufficient liquidity to pursue our growth strategy and to provide sufficient resources to meet day-to-day operating requirements, while at the same time taking a conservative approach towards financial leverage and management of financial risk. In managing the capital structure, we take into consideration various factors, including the growth of the business and related infrastructure and the up-front cost of taking on new customers. The officers and senior management of the Company are responsible for managing the capital and do so through monthly meetings and regular review of financial information. The Board of Directors is responsible for overseeing this process. We manage capital to ensure that there are adequate capital resources while maximizing the return to shareholders through the optimization of the cash flows from operations and capital transactions.

Convertible debentures

On October 27, 2017, the Company completed the issuance of an aggregate of $2,140,500 principal amount of unsecured convertible debentures at a price of $1,000 per convertible debenture. On November 20, 2017, the Company completed the issuance of an additional $720,000 principal amount of unsecured convertible debentures due November 20, 2018 at a price of $1,000 per convertible debenture (collectively the "debentures"). The debentures are unsecured convertible debentures and bear simple interest at a rate of 10% per annum from the date of issue.

The Company has the option to prepay the principal amount of a Debenture, in whole or in part, in addition to all accrued but unpaid interest accumulated to the date of such prepayment subject to providing the debenture holder with thirty (30) days prior written notice in respect of such prepayment.

The holder of the debenture may elect to convert, in whole or in part, the principal amount of the debenture together with any accrued but unpaid interest accumulated thereon as of the date of such conversion into units of the Company (the "Units") at a deemed conversion price (the Conversion Price) equal to the lesser of: (i) $0.25 per Unit; or (ii) the initial public offering price of a common share in the capital of the Corporation (each a Common Share) on the Canadian Securities Exchange (or any other Canadian exchange on which the Common Shares may be listed).

The Company may at any time and on written notice to the Purchaser require the conversion of the debenture (inclusive of the principal amount together with any accrued but unpaid interest accumulated thereon as of the date of such required conversion) into Units at the conversion price of $0.25 per Unit in the event that, during the term of the Debenture, the closing price of a common share in the capital of the Corporation (each a Common Share) on the Canadian Securities Exchange (or any other Canadian exchange on which the Common Shares may be listed) equals or exceeds $0.50 per Common Share for at least five (5) consecutive trading days.

Each Unit consists of one (1) Common Share and one (1) Common Share purchase warrant of the Corporation (each a Warrant). Each Warrant entitles the holder thereof to acquire one (1) Common Share for an exercise price of $0.30 per Common Share for a period of two (2) years following the closing date (the Warrant Exercise Period). If, at any time prior to the expiry of the Warranty Exercise Period, the closing price of the Common Shares on the Canadian Securities Exchange (or any other Canadian exchange on which the Common Shares may be listed) equals or exceeds $0.60 per Common Share for at least five (5) consecutive trading days, the Corporation shall be entitled to accelerate the Warrant Exercise Period to a period ending thirty (30) days from the date that notice of such acceleration is provided to holders of the Warrants (the Accelerated Warrant Exercise Period). Any unexercised Warrants shall automatically expire at the end of the Accelerated Warrant Exercise Period.

The Company paid the following compensation for the initial raise of $2,140,500 on October 27, 2017 and the additional raise of $720,000 on November 20, 2017 to the agents:

- Total cash compensation for of $140,360 plus issuance of 561,440 broker warrants. Each broker warrant is exercisable to purchase one additional Common Share at a price of $0.25 for a period of 12 months expiring October 27, 2018.
- Total cash compensation for of $54,640 plus issuance of 194,560 broker warrants. Each broker warrant is exercisable to purchase one additional common share of the Issuer at a price of $0.25 for a period of 12 months expiring November 20, 2018.

Critical Accounting Estimates

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the amounts of assets, liabilities, revenue, costs, expenses and other comprehensive loss that are reported in the financial statements and accompanying disclosures. The estimates and associated assumptions are based on historical experience, actions that the Company may undertake in the future and on various other assumptions that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Significant areas requiring the use of estimates and assumptions include the determination of useful lives of property and equipment, accounts receivable, valuation allowance and loans. Management uses judgment in determining assumptions for cash flow projections, such as anticipated financing, anticipated sales and future commitments to assess the Company's ability to continue as a going concern. A critical judgment is that the Company continues to raise funds going forward and satisfy their obligations as they become due.

The significant accounting policies are discussed below:

Revenue Recognition

The Company recognizes revenue at the time significant risk and rewards of ownership have been transferred to the customer or the services have been performed, the price is fixed or determinable, collectability is reasonably assured and costs incurred can be measured reliably. Amounts invoiced to customers, primarily deposits that do not meet the revenue recognition criteria are considered 'deferred' and are included with the company's current liabilities for reporting purposes.

The Company's revenue was principally derived from the following sources:

- Service fees charged for consulting services performed by the Company's IT Consultants under written service contracts with customers. The service contracts the Company enters into, generally fall into three specific categories: time and materials, fixed-price and prepaid service agreements.

- Sale of off the shelf software, hardware and related support which are specifically charged on the Company's invoices. Software, hardware and related service are part of what the Company provides to small and medium size enterprises when providing consulting. Software, hardware and related service items are priced and billed separately from IT service charges.

- The Company's customers may also be charged miscellaneous fees, including software licensing fees, shipping fees, cloud storage fees, web hosting fees and fees for other miscellaneous services.

Revenue is recorded after the recognition criteria mentioned above have been met.

<u>Service fees for consulting services</u>

When a customer enters into a time and materials, fixed-price or a prepaid service contract, the Company recognizes revenue in accordance with the Company's evaluation of the deliverables in each contract. If the deliverables represent separate units of accounting, the Company then measures and allocates the consideration from the arrangement to the separate units, based on reliable evidence of fair value for each deliverable. Units of accounting from deliverables include specific objectives delineated in the service contract.

Revenue under time and materials contracts is recognized as services are rendered and billed at contractually agreed upon rates. Most contracts are short in duration and revenue recognized on delivery.

If the Company's initial estimates of the resources required or the scope of work to be performed on a fixed-price contract are inaccurate, or the Company does not manage the project properly within the planned time period, a provision for estimated losses on incomplete projects is made. Any known or probable losses on projects are charged to operations in the period in which such losses are determined. Management reviews the estimated total direct costs on each contract to determine if the estimated amounts are accurate, and estimates are adjusted as needed in the period revised estimates are made. No losses were recognized on fixed-price contracts during the years ended May 31, 2018 and 2017.

The Company also performs services on a periodic retainer basis under infrastructure service contracts, which include monthly web hosting and support services. Revenue under periodic retainer-based contracts is recognized rateably over the contract period, as outlined within the respective contract. In the event additional services are required, above the minimum retained or contracted amount, then such services are billed on a time and materials basis. Customer prepayments, even if non-refundable, are deferred (classified as deferred revenue) and recognized over future periods as services are performed.

Property and equipment

Property and equipment are carried at historical cost less accumulated depreciation and any accumulated impairment losses. Each component of an item of property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. Maintenance and repair expenditures that do not improve or extend the life are expensed in the period incurred.

Depreciation is recognized to write off the cost or valuation of assets (other than land) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each year, with the effect of any changes in estimate accounted for on a prospective basis. An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Estimated useful lives for the principal asset categories are as follows:

Computer hardware	3 - 5 years
Computer software	3 years
Furniture and fixtures	3 - 5 years
Vehicles	3 - 5 years
Websites	3 years

Preferred shares

Preferred shares with mandatory redemption on a specific date are classified as liabilities. The dividends on these preferred shares are recognized in the statements of (loss) and comprehensive (loss) as interest expense.

Loss per share

Basic and diluted loss per share is calculated by dividing the loss for the period by the weighted average number of common shares outstanding during the period. The treasury stock method is used to calculate diluted Income (loss) per common share amounts. Under the treasury stock method, the weighted average number of common shares outstanding used for the calculation of the diluted per common share amount assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the year. The Company has securities outstanding which could potentially dilute basic earnings per share in the future but were excluded from the computation of diluted loss per share in the year presented, as their effect would have been anti-dilutive.

Convertible debentures

The Company has issued convertible debentures which, on conversion, must be satisfied entirely in cash for an amount equal to the greater of the conversion value and the redemption value of the instrument.

The Company reviews the terms of its convertible debentures to determine whether there are embedded derivatives, including the embedded conversion option, that are required to be separated and accounted for as individual derivative financial instruments. In circumstances where the convertible debentures contain embedded derivatives that are to be separated from the debenture host contracts, the total proceeds received are first allocated to the fair value of the derivative financial instruments determined using the Black-Scholes model. The remaining proceeds, if any, are then allocated to the debenture host contracts, usually resulting in those instruments being recorded at a discount from their principal amount. This discount is accreted over the expected life of the instruments to profit (loss) using the effective interest method.

The Company calculates the fair value of the conversion feature included in convertible debt using the fair value method, under which the fair value of the conversion feature at the issue date is calculated using the Black-Scholes Pricing Model.

Volatility is determined based on volatilities of comparable companies when the Company does not have its own sufficient trading history. The expected term, which represents the period of time that the convertible debentures issued are expected to be outstanding, is estimated based on an average of the term of the convertible debentures issued.

The risk-free rate assumed in valuing the conversion feature is based on the Canadian treasury yield curve in effect at the time of grant for the expected term of the convertible debentures issued. The expected dividend yield percentage at the date of issue is Nil as the Company is not expected to pay dividends in the foreseeable future.

The debenture host contracts are subsequently recorded at amortized cost at each reporting date, using the effective interest method. The embedded derivatives are subsequently recorded at fair value at each reporting date, with changes in fair value recognized in profit (loss).

The Company presents its embedded derivative liability and related debenture host contracts as separate instruments on the balance sheet.

Future accounting pronouncements

Standards issued but not yet effective up to the date of issuance of these financial statements are listed below. This list is of standards and interpretations issued that the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective.

IFRS 9, Financial Instruments, (“IFRS 9”) was issued by the IASB in October 2010 and will replace IAS 39, Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 was effective for fiscal year beginning January 1, 2018. The Company does not expect the standard will have a material impact on the financial statements upon adoption and will adopt on June 1, 2018.

IFRS 15, Revenue from Contracts and Customers (“IFRS 15”) was issued by the IASB on May 28, 2014, and will replace IAS 18, revenue, IAS 11, construction contracts, and related interpretations on revenue. IFRS 15 sets out the requirements for recognizing revenue that apply to all contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 uses a control- based approach to recognize revenue which is a change from the risk and reward approach under the current standard. Companies can elect to use either a full or modified retrospective approach when adopting this standard and for the Company it is effective for annual periods beginning on or after January 1, 2018. The Company does not expect the standard will have a material impact on the financial statements upon adoption and will adopt on June 1, 2018.

IFRS 16, Leases (“IFRS 16”) was issued by the IASB on January 13, 2016. The Company will be required to adopt IFRS 16 in its financial statements for the annual period beginning on or after December 1, 2019. The new standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Management is currently evaluating the potential impact, if any, that the adoption of IFRS 16 will have on the Company’s financial statements.