Nerds on Site Inc.

Financial Statements
May 31, 2018, 2017 and 2016

(Expressed in Canadian Dollars)

Independent Auditors' Report

To the Shareholders of Nerds on Site Inc.

We have audited the accompanying financial statements of Nerds on Site Inc., which comprise the statements of financial position as at May 31, 2018 and 2017, and the statements of loss and comprehensive loss, changes in deficiency and cash flows for each of the years in the three-year period ended May 31, 2018, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and auditing standards generally accepted in the United States of America. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Nerds on Site Inc. as at May 31, 2018 and 2017, and its financial performance and its cash flows for each of the years in the three-year period ended May 31, 2018, in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without modifying our opinion, we draw attention to Note 2 to the financial statements which highlights the existence of a material uncertainty relating to conditions that cast significant doubt on Nerd on Site Inc.'s ability to continue as a going concern.

MNP LLP

Toronto, Ontario
September 27, 2018

Chartered Professional Accountants
Licensed Public Accountants

MNP

Nerds on Site Inc.

Statements of Financial Position as at May 31, 2018 and 2017
(in Canadian dollars)

		May 31, 2018		May 31, 2017
ASSETS				
CURRENT				
Cash	**$**	**1,336,340**	$	37,804
Restricted cash		**2,286**		29,546
Accounts receivable (net of allowances) (Note 5)		**125,982**		303,786
Inventory (Note 6)		**72,435**		59,166
Prepaid expenses and other current assets		**89,891**		104,514
		1,626,934		534,816
NON-CURRENT				
Due from related parties (Note 11)		**2,399,885**		1,864,577
Deferred financing costs (Note 20)		**167,167**		-
Intangible assets (Note 19)		**81,531**		63,069
Property and equipment (Note 7)		**48,386**		43,591
		2,696,969		1,971,237
TOTAL ASSETS	**$**	**4,323,903**	$	2,506,053
LIABILITIES AND SHAREHOLDERS' DEFICIENCY				
LIABILITIES				
CURRENT				
Accounts payable and accrued liabilities (Note 18)	**$**	**1,015,888**	$	646,931
Deferred revenue		**268,430**		260,944
Bank debt (Note 8)		**273,312**		252,391
Preferred shares (Note 10)		**470,100**		500,100
Dividend payable (Note 10)		**60,417**		24,167
Convertible debentures, net of issuance costs (Note 16)		**2,557,844**		-
Derivative liability (Note 16)		**390,319**		-
Current portion of loans and capital leases payable (Note 9)		**343,164**		555,789
		5,379,474		2,240,322
NON-CURRENT				
Non-current portion of loans and capital leases payable (Note 9)		**141,158**		208,164
Due to a related party (Note 11)		**89,750**		124,096
		230,908		332,260
TOTAL LIABILITIES		**5,610,382**		2,572,582
SHAREHOLDERS' DEFICIENCY				
Common stock (Note 10)		**8,800**		1,000
Reserve for warrants (Note 16)		**72,664**		-
Contributed surplus (Note 16)		**406,351**		189,151
Accumulated deficit		**(1,774,294)**		(256,680)
TOTAL SHAREHOLDERS' DEFICIENCY		**(1,286,479)**		(66,529)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY	**$**	**4,323,903**	$	2,506,053

Statement of compliance and going concern (Note 2)
Commitment and contingencies (Note 14)
Subsequent event (Note 25)

Approved on behalf of the Board

<Eugene Konarev>
Signed: Director

<David Redekop>
Signed: Director

The accompanying notes are an integral part of these financial statements

Nerds on Site Inc.

Statements of loss and comprehensive loss
For the years ended May 31, 2018, 2017 and 2016
(in Canadian dollars)

	2018	2017	2016
Revenue (Notes 11 and 22)	**$ 8,439,576**	$ 8,667,162	$ 9,016,014
Cost of revenue (Note 6)	**(6,247,609)**	(6,152,322)	(6,090,506)
Gross Profit	**2,191,967**	2,514,840	2,925,508
Expenses			
Selling, general and administrative (Notes 11 and 17)	**(3,005,883)**	(2,421,808)	(2,942,415)
Depreciation of property and equipment (Note 7)	**(24,132)**	(11,699)	(10,573)
Total operating expenses	**(3,030,015)**	(2,433,507)	(2,952,988)
Operating profit (loss)	**(838,048)**	81,333	(27,480)
Interest expense (Note 24)	**(333,833)**	(78,264)	(67,630)
Accretion expense (Note 16)	**(281,823)**	-	-
Amortization of convertible debt financing costs (Note 16)	**(127,272)**	-	-
Change in fair value of derivative liability (Note 16)	**99,612**	-	-
Dividends (Note 10)	**(36,250)**	(24,167)	-
Loss before income taxes	**(1,517,614)**	(21,098)	(95,110)
Provision for income taxes (Note 12)	**-**	-	597
Net loss and comprehensive loss	**$ (1,517,614)**	$ (21,098)	$ (94,513)
Loss per share - Basic and Diluted	**$ (0.0283)**	$ (0.0004)	$ (0.0019)
Weighted average number of common shares outstanding - Basic and Diluted	**53,532,534**	49,995,000	49,995,000

The accompanying notes are an integral part of these financial statements

Nerds on Site Inc.

Statements of changes in deficiency
For the years ended May 31, 2018 and 2017
(in Canadian dollars)

	Common stock					
	Shares*	Amount	Warrants reserve	Contributed surplus	Accumulated deficit	Total
	#	$	$	$	$	$
Balance as at May 31, 2016	49,995,000	1,000	-	189,151	(235,582)	(45,431)
Net loss for the year	-	-	-	-	(21,098)	(21,098)
Balance as at May 31, 2017	**49,995,000**	**1,000**	**-**	**189,151**	**(256,680)**	**(66,529)**
Fair value of agent warrants (Note 16)	-	-	72,664	-	-	72,664
Common shares issued to settle debt (Note 8)	200,000	200	-	49,800	-	50,000
Issuance of common shares for cash (Note 8)	100,000	100	-	24,900	-	25,000
Common shares issued for services (Note 8)	7,500,000	7,500	-	142,500	-	150,000
Net loss for the year	-	-	-	-	(1,517,614)	(1,517,614)
Balance as of May 31, 2018	**57,795,000**	**8,800**	**72,664**	**406,351**	**(1,774,294)**	**(1,286,479)**

*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.

Nerds on Site Inc.

Statements of Cash Flows
For the years ended May 31, 2018, 2017 and 2016
(in Canadian dollars)

	2018	2017	2016
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES			
Net loss	**$ (1,517,614)**	$ (21,098)	$ (94,513)
Adjustments to reconcile net loss to net cash used in operating activities			
Depreciation (Note 7)	**24,132**	11,700	10,573
Loss on sale of property and equipment	**1,091**	-	-
Amortization of convertible debt financing costs	**127,272**	-	-
Financing cost expensed (Note 16)	**45,844**	-	-
Issue of shares in settlement of debt**	**150,000**	-	-
Accretion expense (Note 17)	**281,823**	-	-
Change in fair value of derivative liabilities	**(99,612)**	-	-
Changes in working capital:			
Accounts receivable	**177,804**	77,950	(44,945)
Inventory	**(13,269)**	5,770	(35,081)
Prepaid expenses and other assets	**14,623**	(5,324)	(57,988)
Accounts payable and accrued liabilities	**368,957**	(107,806)	(62,055)
Deferred revenue	**7,486**	74,865	133,404
Dividend payable (Note 10)	**36,250**	24,167	-
Net cash from (used in) operating activities	**(395,213)**	60,224	(150,605)
CASH FLOWS FROM INVESTING ACTIVITIES			
Restricted cash (Note 3)	**27,260**	696,894	273,560
Payments related to intangible assets	**(18,462)**	(63,069)	-
Proceeds from the sale of property and equipment (Note 7)	**9,000**	-	-
Payments for acquisition of property and equipment (Note 7)	**(39,018)**	(32,573)	(5,280)
Net cash flows from (used in) investing activities	**(21,220)**	601,252	268,280
CASH FLOWS (USED IN) FROM FINANCING ACTIVITIES			
(Repayments) advances from loans and capital leases payable*	**(229,631)**	254,251	(66,238)
(Repayments made on) advances from bank debt	**20,921**	63,184	(51,223)
Payments due to (from) related parties	**(569,654)**	(508,702)	(7,944)
Proceeds received from convertible debt, net of issuance costs	**2,665,500**	-	-
Deferred financing costs (Note 20)	**(167,167)**	-	-
Proceeds from issuance of common shares	**25,000**	-	-
Redemption of Series A Preferred shares	**(30,000)**	(500,000)	-
Net cash flows from (used in) financing activities	**1,714,969**	(691,267)	(125,405)
NET INCREASE (DECREASE) IN CASH	**1,298,536**	(29,791)	(7,730)
Cash, beginning of year	**37,804**	67,595	75,325
Cash, end of year	**$ 1,336,340**	$ 37,804	$ 67,595

Non- cash items:

* On November 8, 2017, the Company settled a debt of $50,000 by issuance of 200,000 common shares.

** December 18, 2017, the Company issued 7,500,000 shares for $150,000 payment owed to a related party for services.

The accompanying notes are an integral part of these financial statements

1. Nature of operations

Nerds on Site Inc. (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. The Company’s head office is located at 131 Wharncliffe Road South, London, Ontario, N6J 2K4.

2. Statement of Compliance and Going concern

The Company’s financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The financial statements have been prepared on a historical cost basis, except for certain financial instruments that are measured at fair value as described in the accounting policies.

These financial statements have been prepared on a going concern basis, which contemplates that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern, and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying financial statements. Such adjustments could be material. It is not possible to predict whether the Company will be able to raise adequate financing or to ultimately attain profit levels of operations. These conditions indicate the existence of material uncertainties that may cause significant doubt about the Company’s ability to continue as a going concern. Changes in future conditions could require material write downs of the carrying values.

The Company has not yet realized profitable operations and has incurred losses to date resulting in a cumulative deficit of $1,774,294 as at May 31, 2018 (2017 - $256,680). The recoverability of the carrying value of the assets and the Company’s continued existence is dependent upon the achievement of profitable operations, or the ability of the Company to raise alternative financing, if necessary. While management has been historically successful in raising the necessary capital, it cannot provide assurance that it will be able to execute on its business strategy or be successful in future financing activities. As at May 31, 2018, the Company had current assets of $1,626,934 (2017 - $534,816) to cover current liabilities of $5,379,474 (2017 - $2,240,322).

These financial statements were approved by the Company’s board of directors on September 27, 2018.

3. Significant accounting policies

Basis of measurement

The financial statements have been prepared on the historical cost basis except as otherwise noted.

Functional and presentation currencies

The Company’s functional currency is Canadian dollars and the Company’s presentation currency is also Canadian dollars.

3. Significant accounting policies (continued)

Property and equipment and intangible assets

Property and equipment and intangible assets are carried at historical cost less accumulated depreciation and amortization and any accumulated impairment losses. Each component of an item of property and equipment and intangible assets 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 and intangible assets 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 and intangible assets 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
Development costs	3 years

Research and development

Research costs are charged to profit or loss in the period in which they are incurred, net of related tax credits. Development costs are charged to profit or loss in the year they are incurred, net of related tax credits, unless they meet the capitalization criteria listed below:

- the technical feasibility of completing the intangible asset so it will be available for use or sale;
- the Company's intention to complete and its ability to use or sell the asset;
- how the asset will generate future economic benefits and;
- the availability of resources to complete the asset; and
- the ability to measure reliably of the expenditure during development.

Impairment of long-lived assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

3. Significant accounting policies (continued)

Impairment of long-lived assets (continued)

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately.

If an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately.

Income taxes

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in profit or loss except to the extent that they relate to items recognized directly in equity or other comprehensive income.

Current tax

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

Deferred tax

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in profit or loss, comprehensive income or loss or in equity depending on the item to which the adjustment relates.

Deferred tax assets are recognized to the extent future recovery is probable. At the end of each reporting period, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Unrecognized deferred tax assets are reviewed at each reporting date and are recorded to the extent it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

3. Significant accounting policies (continued)

Inventory

Inventory is stated at the lower of cost or net realizable value and valued on a specific identification cost basis.

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.

Financial instruments

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.

Financial assets "held-to-maturity", "loans and receivables", and "other financial liabilities" are subsequently measured at amortized cost using the effective interest method. The Company's financial assets and liabilities are recorded and measured as follows:

3. Significant accounting policies (continued)

Financial Instruments (continued)

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 and accrued expenses, due to a related party, bank debt, loans and capital leases payable and preferred shares	Other liabilities	Amortized cost

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.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. Objective evidence of impairment could include the following:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments; or
- it has become probable that the borrower will enter bankruptcy or financial reorganization.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset’s carrying amount and the present value of the estimated future cash flows, discounted at the financial asset’s original effective interest rate.

The carrying amount of all financial assets is directly reduced by the impairment loss. Changes in the carrying amount of the allowance account are recognized in profit or loss.

Except for available for sale (“AFS”) equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized; the previously recognized impairment loss is reversed through profit or loss.

3. Significant accounting policies (continued)

Impairment of financial assets (continued)

On the date of impairment reversal, the carrying amount of the financial asset cannot exceed its amortized cost had impairment not been recognized

Foreign currency translation

Transactions in foreign currencies are initially translated into the functional currency using rates prevailing at the date of the transaction. Monetary assets and liabilities are translated using the exchange rates in effect at the end of the reporting period and non-monetary assets and liabilities at historical exchange rates. Revenue and expense items are translated using average exchange rates prevailing during the period. Foreign exchange gains and losses are included in profit or loss.

Revenue recognition

The Company's revenue for the years ended May 31, 2018, 2017 and 2016 were principally derived from the following sources:

- Service fees charged for consulting services performed by the Company's 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.

The Company recognizes revenue from the above sources 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.

<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.

3. Significant accounting policies (continued)

Revenue recognition (continued)

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, 2017 and 2016.

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.

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).

3. Significant accounting policies (continued)

Convertible debentures (continued)

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

Stock-based compensation

The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted if the fair value of the goods or services received by the Company cannot be reliably estimated.

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.

4. Critical accounting judgments and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Critical areas of estimation and judgements in applying accounting policies include the following:

Going concern

These financial statements have been prepared in accordance with IFRS on a going concern basis, which assumes the realization of assets and discharge of liabilities in the normal course of business within the foreseeable future. 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.

Useful lives of property and equipment

As described in Note 3, the Company reviews the estimated useful lives of property and equipment with definite useful lives at the end of each year and assesses whether the useful lives of certain items should be shortened or extended, due to various factors including technology, competition and revised service offerings. During the year ended May 31, 2018, 2017 and 2016, the Company was not required to adjust the useful lives of any assets based on the factors described above.

Deferred income taxes

The calculation of deferred income taxes is based on assumptions which are subject to uncertainty as to timing and which tax rates are expected to apply when temporary differences reverse. By their nature, these estimates are subject to measurement uncertainty, and the effect on the financial statements from changes in such estimates in future period could be material. Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. Deferred tax assets are reviewed at each statement of financial position date and adjusted to the extent that it is no longer probable that the related tax benefit will be realized.

(in Canadian dollars)

4. Critical accounting judgments and key sources of estimation uncertainty (continued)

Convertible debentures and broker warrants

Estimating the fair value of broker warrants and conversion feature derivative liability requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the issuance. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the warrants and conversion feature derivative liability, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value of warrants and conversion feature derivative liability are disclosed in Note 16 and 23.

Allowance for doubtful accounts

In developing the estimates for an allowance against existing accounts receivable and due from related parties, the Company considers general and industry economic and market conditions as well as credit information available for the customer and the aging of the account. Changes in the carrying amount due to changes in economic and market conditions could significantly affect the earnings for the period

5. Accounts receivable

Accounts receivables are stated net of allowance for doubtful accounts of $79,735 and $nil for May 31, 2018 and 2017, respectively. Accounts receivable consist of amounts due from customers receiving IT consulting services and equipment. Total net accounts receivable amounted to $125,982 and $303,786 at May 31, 2018 and May 31, 2017 respectively.

The Company estimates an allowance based on experience with its service providers and judgment as to the likelihood of their ultimate payment. The Company also considers collection experience and make estimates regarding collectability based on trends in the customers' aging below:

	2018	2017
	$	$
Over 90 Days	112,763	85,018
61 to 90 Days	6,573	45,808
31 to 60 Days	17,827	33,038
0 to 30 Days	68,554	139,922
Allowance for bad debts	(79,735)	-
	125,982	303,786

The Company monitors all accounts receivable and transactions on a monthly basis to ensure collectability and the adequacy of loss provisions. Considerations include payment history, business volume history, financial statements of customers, projections of customers and other standard credit review documentation.

6. Inventory

The Company had $72,435 and $59,166 of finished goods inventory purchased for resale as at May 31, 2018 and May 31, 2017, respectively. The value of the inventory is equivalent to lower of cost or market value as of the reporting dates above. During the year ended May 31, 2018, the Company had finished goods recognized as cost of revenue of $3,483,237 (2017: $3,288,741; 2016: $2,909,764).

(in Canadian dollars)

7. Property and equipment

The following is a roll-forward of property and equipment as at May 31, 2018 and 2017:

	Computer Hardware	Computer Software	Furniture and Fixtures	Vehicles	Websites	Total
Cost						
Balance as at May 31, 2016 1, 2015	$ 57,672	$ 15,684	$ 15,000	$ 320,743	$ 1,250	$ 410,349
Additions	4,051	-	-	28,520	-	32,571
Balance as at May 31, 2017	61,723	15,684	15,000	349,263	1,250	442,920
Additions	1,198	-	-	37,820	-	39,018
Disposals	-	-	-	(25,228)	-	(25,228)
Balance as at May 31, 2018	**$ 62,921**	**$ 15,684**	**$ 15,000**	**$ 361,855**	**$ 1,250**	**$ 456,710**
Accumulated Depreciation						
Balance as at May 31, 2016	$ 50,089	$ 15,684	$ 15,000	$ 305,607	$ 1,250	$ 387,630
Depreciation	2,881	-	-	8,818	-	11,699
Balance as at May 31, 2017	52,970	15,684	15,000	314,425	1,250	399,329
Disposals	-	-	-	(15,137)	-	(15,137)
Depreciation	4,591	-	-	19,541	-	24,132
Balance as May 31, 2018	**$ 57,561**	**$ 15,684**	**$ 15,000**	**$ 318,829**	**$ 1,250**	**$ 408,324**
Net Carrying Amounts						
As at May 31, 2017	$ 8,753	$ -	$ -	$ 34,838	$ -	$ 43,591
As at May 31, 2018	$ 5,360	$ -	$ -	$ 43,026	$ -	$ 48,386

As at May 31, 2018, the cost and accumulated depreciation of the vehicles under capital lease was $101,666 and $74,272, respectively (May 31, 2017: $89,074 and $69,868).

8. Bank debt

The Company has a revolving line of credit from Toronto-Dominion Bank ("TD Bank") available for up to $175,000 in order to fund working capital. Interest is charged at TD Bank Prime rate plus 2.25% and repayment is due on demand. In 2018, total interest expense recorded under selling, general and administrative expenses was $ 8,618 (2017: $7,769; 2016: $7,629). 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 amounts overdrawn over $175,000 are considered temporary as such overdrawn amounts are repaid subsequently.

The balance outstanding was $273,312 and $252,391 at May 31, 2018 and May 31, 2017, respectively, presented as current liability on the statements of financial position.

(in Canadian dollars)

9. Loans and capital leases payable

The carrying values of loans and capital leases payable were as follows:

		May 31, 2018		May 31, 2017
Current portion				
Balloon loans payable	$	**250,000**	$	300,000
BDC Loans		**74,880**		54,960
Thinking Capital		**-**		187,760
Capital leases		**18,284**		13,069
		343,164		555,789
Non-current portion				
BDC Loans		**97,620**		176,220
Capital leases		**43,538**		31,944
		141,158		208,164
	$	**484,322**	$	763,953

Balloon loans payable consist of a $250,000 balloon loan with an original annual interest rate of 25% and maturity date of July 31, 2012 and amended in 2012 to 16% annual interest rate due February 28, 2017. The loan is now due on demand. Interest is paid monthly with payments of approximately $3,333.

The Company entered into a loan agreement with Thinking Capital on March 28, 2017 for $225,000. The loan has no maturity and is payable through 9% of daily debit and credit card sales until the principal amount has been paid. The Company fully paid the balance as at May 31, 2018.

BDC loans payable were obtained on December 2014 for the two principal amounts of $150,000 and $100,000 with interests charged at BDC floating base rate plus 3.5% and 1% or 8.2% and 5.7%, respectively, and principal plus interest repayable monthly until the years 2020 and 2019, respectively. In addition, the Company obtained an additional BDC for $100,000 with interests charged at BDC floating base rate plus 2.06%, the first principal and interest payment due April 3, 2018 and repayable monthly to 2023. The BDC loans are secured by a guarantee for a full outstanding amount of the loans and first security interest in all present and after-acquired property except consumer goods, subject only to priority on inventory and receivables to lender extending the line of credit.

Interest expense incurred for the years ended May 31, 2018, 2017 and 2016 were $169,288, $78,264 and $67,630, respectively.

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:

		May 31, 2018		
Fiscal year		Principal		Interest
2019	$	343,164	$	55,039
2020		55,748		49,369
2021		29,865		45,052
2022		25,871		43,250
2023		29,674		42,253
	$	484,322	$	234,963

10. Preferred shares liability and common stock

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 Class A Preferred Shares respectively. No dividends were paid during the years ended May 31, 2018, 2017 and 2016.

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.

(in Canadian dollars)

10. Preferred shares liability and Common stock (continued)

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.

11. Related party balances and transactions

Amounts due from related parties as at May 31, 2018 and May 31, 2017 included the following. The origin of these related party receivables was to provide start-up costs and cash flow for start-up operations.

		May 31, 2018	May 31, 2017
Ready Aim Fire Enterprising Inc. (a) and (b)	**$**	**834,252**	706,758
Nerds On-Site South Africa (b)		**294,244**	328,459
DNSthingy Inc. (a) and (b)		**998,607**	662,909
Other related parties (b)		**272,782**	166,451
	$	**2,399,885**	1,864,577

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

The Company had an outstanding payable of $89,750 as at May 31, 2018 (May 31, 2017: $124,096) to Nerds On-Site, Inc., Michigan, a related company by virtue of common control. There is no formal repayment plan and the Company repays Nerds On-Site, Inc., Michigan as cash flow permits. The Company has obtained confirmation that Nerds On-Site, Inc., Michigan will not be requesting payment during the year ending May 31, 2019 and has classified the amounts as a long-term liability.

The Company recorded revenue from the following related parties during the years ended May 31, 2018, 2017 and 2016:

	Ready Aim Fire	DNSthingy Inc.	Total
	$	$	$
Year ended May 31, 2018	82,767	9,723	92,490
Year ended May 31, 2017	52,980	-	52,980
Year ended May 31, 2016	-	-	-

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

(in Canadian dollars)

11. Related party balances and transactions (continued)

	2018	2017	2016
	$	$	$
Salaries and benefits, including bonuses	**396,580**	208,110	275,595

As disclosed in Note 10, the Company issued 7,500,000 common shares issued of $150,000 owed to a related party for services.

12. Income taxes

The Company has operations in Canada only and the Company pays income taxes according to the Canadian Income Tax Act. As at May 31, 2018 and 2017, there was no deferred tax asset or liability recognized.

The Company's income tax (recovery) expense is determined as follows:

		2018		2017		2016
Statutory income tax rate		**26.67%**		26.50%		26.50%
Loss before income taxes	**$**	**(1,517,614)**	$	(21,098)	$	(95,110)
Loss before income taxes at statutory income tax rate	**$**	**(404,620)**	$	(5,591)	$	(25,204)
Decrease in income taxes:						
Non-deductible expenses		**58,473**		6,487		7,217
Change in tax benefit relating to timing difference not recognized		**346,147**		(896)		18,584
	$	**-**	$	-	$	597

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

		2018		2017		2016
Non-capital losses carried-forward	**$**	**1,602,590**	$	377,397	$	148,684
Share issuance costs		**387,849**		-		-
Property and equipment with computer software		**975**		-		10,781
Capital Lease Obligation		**-**		45,014		-

The deferred tax asset has not been recognized in respect of these items because it is more likely than not that future taxable profit will not be available against which the Company can utilize benefits.

As at May 31, 2018, the Company's Canadian non-capital losses of $1,602,590 will expire from 2035 through 2037.

13. Segment information

The Company has a single reportable segment for mobile IT consulting services.

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.

14. Commitments and contingencies

Rental expense is recorded on a straight-line basis over the lease term. The Company currently leases approximately 2,900 square feet of office space in London, Ontario Canada, where it conducts all central administration and strategic leadership operations. Annual rent is $32,355. The current lease term expires in 2020 and this facility is adequate for the company current and projected needs. The total minimum lease payments as at May 31, 2018 until 2020 is $64,708.

15. Financial instruments and risk management

Risk management

In the normal course of its business, the Company is exposed to a number of financial risks that can affect its operating performance. These risks, and the actions taken to manage them, are as noted below.

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.

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.

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.

15. Financial instruments and risk management (continued)

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 (see Note 11). Dividends on preferred shares accrued quarterly beginning June 30, 2016 (see Note 10). Loans and capital leases payable are due on 2019 and 2020, and are payable monthly principal plus interest, until their maturity date (see Note 9).

16. 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 holder 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 Company (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 Company 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.

(in Canadian dollars)

16. Convertible debentures (continued)

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 of the Company 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 Company at a price of $0.25 for a period of 12 months expiring November 20, 2018.

The Company evaluated the terms and conditions of the convertible debentures and noted that the embedded conversion feature did not meet the 'fixed for fixed' criteria for equity classification. The Company has therefore accounted for the conversion feature as a derivative financial liability to be revalued at each reporting period.

The fair value of the embedded conversion feature derivative liability was estimated using the Black-Scholes option pricing model using the following assumptions:

	October 27, 2017	**November 20, 2017**
Volatility	100%	100%
Risk-free interest rate	0.5%	0.5%
Expected life	1 year	1 year
Unit price	$0.35	$0.35
Unit conversion price	$0.25	$0.25
Forfeiture rate	nil	nil

The Company has estimated the unit price to value the conversion feature based on the unit price in the Prospectus filed with the Ontario Securities Commission as disclosed in Note 25.

Upon issuance, the Company valued the conversion feature of the convertible debt instrument as a derivative liability with the residual amount of proceeds being recognized as debt.

	$	$	$
	27-Oct-17	**20-Nov-17**	**Total**
Total proceeds from convertible debt offering	2,140,500	720,000	2,860,500
Less: value of conversion feature - derivative liability upon issuance	366,613	123,318	489,931
Value of host debt instrument upon issuance	1,773,887	596,682	2,370,569

(in Canadian dollars)

16. Convertible debentures (continued)

The broker warrants issued by the Company were also estimated using the Black-Scholes option pricing model using the following assumptions:

	October 27, 2017 Broker Warrants	November 20, 2017 Broker Warrants
Volatility	100%	100%
Risk-free interest rate	0.5%	0.5%
Expected life	1 year	1 year
Share price	$0.25	$0.25
Share conversion price	$0.25	$0.25
Forfeiture rate	nil	nil

The Company used the most recent price per common share raised by the Company during the year as an input to value the broker warrants using the Black-Scholes model.

The Company calculated the total compensation or financing cost for the debentures which was proportionately allocated to the conversion feature and the host debt instrument. Costs allocated to the conversion feature were expensed immediately while the costs allocated to the host debt instrument were recorded as an offset to the convertible debt liability on the statement of financial position.

	27-Oct-17	20-Nov-17	Total
	$	$	$
Cash financing costs	140,360	54,640	195,000
Broker warrants	53,964	18,700	72,664
Total compensation costs	194,324	73,340	267,664
Costs allocated to conversion feature (expensed immediately)	33,283	12,561	45,844
Costs allocated to host debt instrument	161,041	60,779	221,820
Total compensation costs	194,324	73,340	267,664

The debt instrument, net of financing costs is being accreted up to the face value of the debentures of $2,140,000 and $720,000 as follows:

	27-Oct-17	20-Nov-17	Total
	$	$	$
Host debt instrument	1,773,887	596,682	2,370,569
Less: financing costs	(161,041)	(60,779)	(221,820)
Debt instrument, net of financing costs	1,612,846	535,903	2,148,749
Accretion expense	216,955	64,868	281,823
Amortization of financing costs	95,302	31,970	127,272
Balance of debt instrument, May 31, 2018	1,925,103	632,741	2,557,844

(in Canadian dollars)

16. Convertible debentures (continued)

The conversion feature was revalued at May 31, 2018 using the Black-Scholes option pricing model using the following assumptions:

	October 27, 2017 conversion feature revalued at May 31, 2018	**November 20, 2017 conversion feature revalued at May 31, 2018**
Volatility	100%	100%
Risk-free interest rate	0.5%	0.5%
Expected life	0.41 year	0.47 year
Unit price	$0.35	$0.35
Unit conversion price	$0.25	$0.25
Forfeiture rate	nil	nil

17. Selling, general and administrative expenses

The Company has the following breakdown of selling, general and administrative expenses for the years ended May 31, 2018, 2017 and 2016:

	2018	2017	2016
	$	$	$
Programming and related costs	**711,009**	893,380	1,231,007
Management remuneration	**396,580**	208,110	275,595
Office and administrative expenses	**334,442**	279,927	324,546
Payroll and related costs	**320,144**	267,044	232,368
Legal and professional	**303,650**	192,923	180,290
Advertising and promotion	**287,603**	95,624	95,926
Bank and interest charges	**192,418**	195,547	220,886
Business development	**162,794**	146,642	170,336
Communication	**279,750**	127,081	179,925
Automobile expenses	**17,492**	15,530	31,536
	3,005,883	2,421,808	2,942,415

(in Canadian dollars)

18. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities as of May 31, 2018 and May 31, 2017 constitutes the following:

	2018	2017
	$	$
Accounts payable	**623,434**	414,235
Accrued liabilities	**155,566**	90,079
Wages payable	**11,995**	8,661
Accrued interest	**164,545**	-
Subcontractor payable	**33,359**	89,198
Others	**26,988**	44,758
	1,015,888	646,931

19. Intangible assets

The Company has capitalized development costs under IAS 38 relating to the costs incurred to become certified by Apple Canada in order to be able to service Apple products. The capitalized costs of $81,531 as at May 31, 2018 (May 31, 2017: $63,069) will be amortized on certification. Being an Apple certified Consultant will provide access to the Company to service products manufactured by Apple in combination with other products the Company already services.

20. Deferred financing costs

The Company has capitalized costs of $167,167 (2017: - $nil) incurred to file a long-form prospectus with the Ontario Security Commission (OSC) in Canada. These costs will be recorded against the proceeds of the Initial Public offering (IPO) the Company plans to undertake once it has completed the registration.

21. Fair value measurement

The following table provides the fair value measurement hierarchy of the company's assets and liabilities valued as at May 31, 2018:

Assets measured at fair value:		Fair value measurement using		
	Total	Level 1	Level 2	Level 3
	$	$	$	$
Cash	1,336,340	1,336,340	-	-
Restricted cash	2,286	2,286	-	-
Liability measured at fair value:				
Derivative liability	390,319	-	390,319	-

The following table provides the fair value measurement hierarchy of the company's assets and liabilities valued as at May 31, 2017:

Assets measured at fair value:		Fair value measurement using		
	Total	Level 1	Level 2	Level 3
	$	$	$	$
Cash	37,804	37,804	-	-
Restricted cash	29,546	29,546	-	-

(in Canadian dollars)

21. Fair value measurement (continued)

There were no transfers between level 1 and 2 during the years ended May 31, 2018 and 2017.

22. Revenue

	2018	2017	2016
	$	$	$
Service fees	**4,259,788**	4,543,023	4,940,927
Product sales (Sale of software, hardware and related)	**4,123,458**	3,992,809	3,963,116
Miscellaneous fee	**56,330**	131,330	111,971
	8,439,576	8,667,162	9,016,014

23. Warrants

The following table reflects the continuity of warrants for the years ended May 31, 2018 and 2017:

	Number of warrants outstanding and exercisable	Weighted average exercise prices	Weighted average remaining contractual life
	#	$	Years
Balance at May 31, 2017 and 2016	-	-	-
Issued as part of convertible debentures (Note 16)	756,000	0.25	0.43
Balance at May 31, 2018	756,000	0.25	0.43

24. Interest expense

	2018	2017	2016
	$	$	$
Interest on long-term debt (Note 9)	**169,288**	78,264	67,630
Interest on convertible debt (Note 16)	**164,545**	-	-
	333,833	78,264	67,630

25. Subsequent event

Subsequent to May 31, 2018, the Company filed its final prospectus dated August 30, 2018 with the Ontario Securities Commission, related to the distribution of a minimum of 11,428,571, and a maximum of 17,142,857 units in the capital of the Company.