NERDS ON SITE INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND SIX MONTHS ENDED NOVEMBER 30, 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 January 28, 2019. 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 interim unaudited financial statements for the period ended November 30, 2018 and our audited financial statements and the accompanying notes thereto for the period 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 for the year ended May 31, 2018 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. The financial statements for the quarter ended November 30, 2018 are condensed financial statements.

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.

On November 26, 2018, the Company announced that it had completed its initial public offering ("IPO") of 13,519,830 units ("Units"), each Unit consisting of one common share in the capital of the Company ("Common Shares") and one half of one Common Share purchase warrant, at a price of $0.35 per Unit, for gross proceeds of $4,731,940. The Common Shares are listed on the Canadian Securities Exchange ("CSE") under the symbol NERD and began trading on November 28, 2018 at the opening of the market.

Pursuant to the agency agreement dated August 30, 2018, Canaccord Genuity Corp. acted as agent (the "Agent") for the IPO. The Company paid to the Agent an aggregate cash commission of $378,55. In addition, the Company granted the Agent and its sub-agents non-transferable options entitling the Agent and its sub-agents to purchase a total of 1,081,586 Units at a price of $0.35 per Units until November 28, 2020. In connection with closing of the IPO, the Agent also received a corporate finance fee of $40,000.

In November 2018, the Company converted convertible debentures of face value of $2,626,500 plus interest accrued for $125,249 into 11,006,994 units at $0.25 per unit. 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.

In Fiscal 2018/2019 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 2018/219 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.

Going Concern

The ability of the Company to continue as a going concern, to realize the carrying value of its assets and discharge its liabilities when due, and to generate adequate profits is dependent on the Company's ability to continue to raise adequate funds. The Company raised gross proceeds of $2.8Million in second quarter of 2018 in convertible debt and raised gross proceeds of $4.7Million in second quarter of 2019.

The Company has incurred losses to date resulting in a cumulative deficit of $2,507,967 as at November 30, 2018 (May 31, 2018 – $1,774,294). 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 November 30, 2018, the Company had current assets of $3,967,510 (May 31, 2018 - $1,626,934) to cover current liabilities of $1,871,245 (May 31, 2018 – $5,379,474).

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

	Three months ended November 30,		Six months ended November 30,	
	2018	2017	2018	2017
	(thousands of dollars) (except per share amounts)			
Total Revenue	2,068	2,088	4,136	4,214
Gross Profit	488	489	1,056	1,151
Operating Expenses	982	898	1,692	1,586
Operating loss	(494)	(409)	(636)	(435)
Net loss	(375)	(528)	(734)	(604)
Loss per share	(0.0063)	(0.0105)	(0.0125)	(0.0121)
Cash flow used in operating activities			(728)	(264)
Cash flow used in investing activities			(4)	(21)
Cash flow from financing activities			3,162	2,675

Discussion of Operations: Three and Six- month periods ended November 30, 2018 and 2017

Revenue

The Company has a single reportable segment for mobile IT consulting services. The Company recorded total revenue of $4.136 Million during the six months ended November 30, 2018 as compared to $4.214 Million during the six months ended November 30, 2017. The Company recorded total revenue of $2.068 Million during the three months ended November 30, 2018 as compared to $2.088 Million during the three months ended November 30, 2017. There was no material change in revenue during the three and six- month periods ended November 30, 2018 and 2017. The Company had a marginal decline in service revenue period over period.

Details of revenue for the six and three months ended November 30, 2018 and 2017:

	6 months 2018	6 months 2017	3 months 2018	3 months 2017
	(thousands of dollars)			
Service fees	2,050	2,195	1,012	1,043
Product sales (Sale of software, hardware and related)	2,069	1,985	1,051	1,028
Miscellaneous fee	17	34	5	18
Total	4,136	4,214	2,068	2,088

Gross profit

The Company recorded gross profit of $1.056 Million and $1.151 Million during the six months ended November 30, 2018 and 2017 respectively. The gross margin declined by 1.8% to 25.5% from 27.3% during the current six-month period primarily because of a reduction in service revenue and lower margin on product sales arising from an increase in input costs of product cost of goods sold. Sales for three- month period ended November 30, 2018 was lower by $20 Thousand with no material change to the gross margin.

	Six months ended November 30, 2018	2017
	(thousands of dollars)	
Total Revenue	4,136	4,214
Gross Margin	1,056	1,151
Gross Margin %	**25.5%**	**27.3 %**

	Three months ended November 30, 2018	2017
	(thousands of dollars)	
Total Revenue	2,068	2,088
Gross Margin	488	489
Gross Margin %	**23.6%**	**23.4 %**

The Company experienced a marginal decline in service revenue which was based on customer needs and a lower margin in product sales due to increase in input costs of goods sold during the current three- and six-month periods as compared to the similar prior three- and six- month periods.

Selling, general and administrative

	Six months ended November 30,		
	2018	2017	% increase
	(thousands of dollars)		
Total Expense	1,676	1,574	6 %
As a percentage of revenue	**40%**	**37 %**	

	Three months ended November 30,		
	2018		% increase
	(thousands of dollars)		
Total Expense	974	892	9 %
As a percentage of revenue	**47%**	**43 %**	

Selling, general and administrative expenses have seen increase for the nine months and three months comparative periods. The main driver for the increase is the increase in legal and professional costs to take the Company public, advertising and promotion costs expensed in new markets and additional costs relating to office and administration and communication costs. The Company recorded a reduction in programming and related costs during the three and six months ended November 30, 2018 as compared to the prior similar periods.

Selling, general and administrative expenses during the nine and three months ended November 30, 2018 and 2017

(In thousands of dollars)

	6 months 2018	6 months 2017	3 months 2018	3 months 2017
	$	$	$	$
Programming and related costs	258	570	117	307
Management remuneration	124	118	66	61
Office and administrative expenses	261	237	167	134
Payroll and related costs	150	178	80	92
Legal and professional	358	94	339	72
Advertising and promotion	181	145	21	121
Bank and interest charges	94	99	51	49
Business development	83	83	45	32
Communication	150	43	76	21
Automobile expenses	17	7	12	3
Total	1,676	1,574	974	892

Operating loss

	Six months ended November 30, 2018	2017	change
	(thousands of dollars)		
Operating loss	(636)	(435)	(201)

	Three months ended November 30, 2018	2017	change
	(thousands of dollars)		
Operating loss	(494)	(409)	(85)

Our increase in our operating loss for the comparative three and nine- month periods of 2018 and 2017 are a result of increase in selling, general and administrative expenses and decrease in gross margins (as explained above).

Net loss

	Six months ended November 30, 2018	2017	change
	(thousands of dollars)		
Net loss	(734)	(604)	(130)

	Three months ended November 30, 2018	2017	change
	(thousands of dollars)		
Net loss	(375)	(528)	153

Six months ended November 30, 2018 and 2017

Beyond the impact of operating income (loss) as noted above, the other drivers for our net losses are the interest expense for $176 Thousand and $145 for comparative period; non-cash accretion expenses for $208 Thousand and $Nil for comparative period; amortization of convertible debt financing costs for $94 Thousand and $17 Thousand for comparative period; non-cash change in fair value of derivative liability for ($390) Thousand and ($11) Thousand for comparative period and dividends expense for $9 Thousand and $18 Thousand for comparative period.

Three months ended November 30, 2018 and 2017

Beyond the impact of operating income (loss) as noted above, the other drivers for our net losses are the interest expense for $86 Thousand and $104 for comparative period; non-cash accretion expenses for $85 Thousand and $Nil for comparative period; amortization of convertible debt financing costs for $39 Thousand and $17 Thousand for comparative period; non-cash change in fair value of derivative liability for ($329) Thousand and ($11) Thousand for comparative period and dividends expense for $Nil and $9 Thousand for comparative period.

Key balance sheet items

	As at November 30, 2018	As at May 31, 2018
	(thousands of dollars)	
Total Assets	6,651	4,324
Total Liabilities	1,973	5,610

The primary reason for increase in total assets is a direct result of the Company raising net cash of $3.9 Million after filing a prospectus and reduction in liabilities is a direct result of conversion of convertible debt to equity and repayment of some of its payables.

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 November 30, 2018	As at May 31, 2017
	(thousands of dollars)	
Trade and other receivables (net)	128	126

As at November 30, 2018, our trade receivables balance was $128 Thousand, which is a small increase from the beginning of the year. We have a diverse group of customers, not one of which represents greater than 10% of the total receivables balance.

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 November 30, 2018	As at May 31, 2018
	(thousands of dollars)	
Preferred shares	-	470

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 additional $30 Thousand of the Class A Preferred shares. During the period ended November 30, 2018, the Company redeemed the balance of $470,000 of Class A Preferred Shares.

Deferred revenue

	As at November 30, 2018	As at May 31, 2018
	(thousands of dollars)	
Deferred revenue	339	268

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 November 30, 2018	As at May 31, 2018
	(thousands of dollars)	
Cash	3,766	1,336

The Company's primary cash flow comes 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 gross$2.8Million by issue of convertible debt in the second quarter of 2018 and gross $4.7 Million in Units in second quarter of 2019.

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

	Six- months ended November 30,	
	2018	2017
	(thousands of dollars)	
Operating activities	(728)	(264)
Investing activities	(4)	(21)
Financing activities	3,162	2,675
Increase in cash	2,429	2,390
Cash beginning of period	1,336	38
Cash end of period	3,766	2,428

Net cash from (used) in operating activities

Cash flow from (used) in operations, which is generally the net income or loss adjusted for non-cash items, such as depreciation and changes in non-cash working capital items, was $(728) Thousand for six months ended November 30, 2018 as compared to $(264) Thousand for six months ended November 30 2017.

The main factors which contributed to increase in cash outflow from operations were:

a) The Company had a net loss of $(734) Thousand in 2018 as compared to a net loss of $(604) Thousand in 2017. The increase in loss in 2018 was primarily a result of increase in selling, general and administrative expenses, an increase in interest costs and amortization of deferred finance costs.
b) The timing of receipts and payments, including decrease in accounts payable and accrued liabilities by $(217) Thousand in 2018 as compared to increase of $30 Thousand in 2017.
c) Increase in deferred revenue by $71 Thousand in 2018 as compared to a decrease in deferred revenue by $(27) Thousand in 2017.

Net cash from (used) in investing activities

Cash from (used in) investing activities was $(4) Thousand in 2018 as compared to $(21) Thousand in 2017. During 2018, the outflow of cash was for purchase of property and equipment for $(4) Thousand. In 2017, the outflow of cash was for purchase of property and equipment for $(39) Thousand, payment related to internally generated intangible asset for $(18) Thousand, decrease in restricted cash of $27 Thousand and proceeds from the sale of property and equipment of $9 Thousand.

Net cash from (used) in financing activities

Cash provided (used in) by financing activities was $3.162 Million in 2018 as compared to $2.675 Million in 2017. 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. The debentures are unsecured convertible debentures and bear simple interest at a rate of 10% per annum from the date of issue.

On November 28, 2018, the Company completed its initial public offering ("IPO") of 13,519,830 units ("Units"), each Unit consisting of one common share in the capital of the Company ("Common Shares") and one half of one Common Share purchase warrant, at a price of $0.35 per Unit, for net proceeds of $3.947 Million.

In 2018, the Company increased debt from related parties by $(256) Thousand as compared to reduction in debt to related parties by $60 Thousand in 2017. In addition, the Company redeemed Series 'A' preference shares for $(470) Thousand in 2018 as compared to $(30) Thousand in 2017.

Off-balance sheet arrangement

The Company has no off-balance sheet arrangement as of November 30, 2018 and May 31, 2018.

Transactions with related parties

Amounts due from related parties as at November 30, 2018 included the following. The origin of these related party receivables was to provide start-up costs and cash flow for start-up operations.

	Six months ended November 30, 2018 (thousands of dollars)
Ready Aim Fire Enterprising Inc. (a) and (b)	823
Nerds On-Site South Africa (b)	246
DNSthingy Inc. (a)	1,061
Nerds On- Site Michigan (b)	165
Other related parties (b)	271
	2,566

(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. In addition to their salaries, key management personnel also receive share-based compensation. Key management personnel compensation is as follows:

	For the three month period ended November 30, 2018	For the three month period ended November 30, 2017	For the six month period ended November 30, 2018	For the six month period ended November 30, 2017
	(in thousands)	**(in thousands)**	**(in thousands)**	**(in thousands)**
Salaries and benefits, including bonuses	$ 66	$ 61	$ 118	$ 124
Total	$ 66	$ 61	$ 118	$ 124

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.

In November 2018, the Company converted convertible debentures of face value of $2,626,500 plus interest accrued for $125,249 into 11,006,994 units at $0.25 per unit. 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.

Changes in accounting policies

Except for the changes below, the Company has prepared the financial statements using the same accounting policies and methods as the financial statements for the year ended May 31, 2018.

IFRS 15 Revenue from Contracts with Customers

The IASB issued IFRS 15 Revenue from Contracts with Customers ("IFRS 15") in May 2014. This IFRS replaces IAS 18 Revenue, IAS 11 Construction Contracts and several revenue-related interpretations. IFRS 15 establishes a single revenue recognition framework which requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive, when control is transferred to the purchaser.

The Company adopted IFRS 15 on June 1, 2018 using the cumulative effect method. Under this method, prior years' financial statements have not been restated. As a result of the adoption of IFRS 15, no cumulative effect adjustment to retained deficit was required and there is no impact on net income (loss) or cash flow.

Revenue Recognition

Under IFRS 15, the Company classified its revenue as being 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.

Revenue from the sale of consulting services is recognized based on the consideration specified in the contracts the Company has with its customers. 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 is recognized on delivery.

The Company recognizes revenue for sale of off the shelf software, hardware and related support when it transfers control of the product to the buyer. This is generally at the time the customer obtains legal title to the product and when it is physically transferred to the delivery mechanism agreed with the customer.

The Company has evaluated its revenue streams and major contracts with customers using the IFRS 15 five step model and concluded that there are no material changes to the timing of revenue recognized.

IFRS 9 Financial Instruments

The Company has adopted IFRS 9, Financial Instruments (IFRS 9) with a date of application of June 1, 2018 as relevant to the Company. As a result, the Company has changed its accounting policy for financial instruments as detailed below.

The Company has elected to not restate comparative periods in the year of initial application of IFRS 9 relating to the transition for classification, measurement and impairment, and accordingly, has not restated comparative periods in the year of initial application. As a result, the comparative information provided continues to be accounted for on a basis consistent with those followed in the most recent annual Financial Statements.

Classification

As at June 1, 2018, the Company classifies its financial instruments in the following measurement categories:

• Those to be measured subsequently at fair value either through other comprehensive income (OCI) (loss), or through profit (loss).

• Those to be measured at amortized cost.

Specifically, for debt financial assets, the classification depends on the Company's business model for managing the financial instruments and the contractual terms of the cash flows.

Measurement

At initial recognition, the Company measures a financial instrument at its fair value plus, in the case of a financial instrument not at fair value through profit (loss), transaction costs that are directly attributable to the acquisition of the financial instrument. Transaction costs of financial instruments carried at fair value through profit (loss) are expensed in profit (loss).

Subsequent measurement of financial instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories in which the Company classifies its financial instruments:

• Amortized cost: Financial instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income (expense) from these financial instruments is recorded in net income (loss) using the effective interest rate method.

• Fair value through other comprehensive income (FVOCI): Financial instruments that are held for collection of contractual cash flows and for selling the financial instruments, where the financial instruments' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in net income (loss). When the financial instrument is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to net income (loss) and recognized in other gains (losses). Interest income (expense) from these financial instruments are included in interest using the effective interest rate method. Foreign exchange gains (losses) is presented in other gains (losses) and impairment expenses in other expenses.

• Fair value through profit (loss) (FVTPL): Financial instruments that do not meet the criteria for amortized cost or FVOCI are measured at fair value through profit (loss). A gain or loss on a financial instrument that is subsequently measured at fair value through profit (loss) and is not part of a hedging relationship is recognized in net income (loss) and presented net in comprehensive income (loss) within other gains (losses) in the period in which it arises.

On the date of initial application, June 1, 2018, the financial instruments of the Company were as follows:

	Measurement Category	
Asset or Liability	**Original (IAS 39)**	**New (IFRS 9)**
Cash and restricted cash	FVTPL	FVTPL
Accounts receivable and due from related parties	Amortized cost	Amortized cost
Accounts payable and accrued expenses	Amortized cost	Amortized cost
Due to a related party	Amortized cost	Amortized cost
Bank debt	Amortized cost	Amortized cost
Loans and capital leases payable	Amortized cost	Amortized cost
Preferred shares	Amortized cost	Amortized cost
Convertible debentures	Amortized cost	Amortized cost
Derivative liabilities	FVTPL	FVTPL

Impairment of Financial Assets

The Company assesses on a forward-looking basis the expected credit losses (ECL) associated with its assets carried at amortized cost and FVTPL. For trade and other receivables only, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables. The Company recognizes ECL for assets carried at amortized cost and FVTPL.

For *accounts receivables*, the Company applies the simplified approach permitted by IFRS 9. The simplified approach to the recognition of ECL does not require the Company to track the changes in credit risk; rather, the Company recognizes a loss allowance at each reporting date based on the lifetime ECL since the date of the trade receivable.

Evidence of impairment may include:

• Indications that a debtor or a group of debtors is experiencing significant financial difficulty;

• A default or delinquency in payments;

• Probability that a debtor or a group of debtors will enter into bankruptcy or other financial reorganization; and

• Changes in arrears or economic conditions that correlate with defaults, where observable data indicates that there is a measurable decrease in the estimated future cash flows.

Accounts receivables are reviewed qualitatively on a case-by-case basis to determine if they need to be written off. ECL are measured as the difference in the present value of the contractual cash flows that are due to the Company under the contract, and the cash flows that the Company expects to receive. The Company assesses all information available in the measurement of the ECL associated with its assets carried at amortized cost.

Impairment of *cash and cash equivalents and restricted cash* are evaluated by reference to the credit quality of the underlying financial institution or investee. The Company applies the general approach to providing for expected credit losses. These instruments are low credit risk and no provision is considered for the current reporting period.

There are no impacts to the Company's financial statements for the adoption of IFRS 9

Future Accounting Pronouncements

The following standard that has been issued, but is not yet effective, up to the date of issuance of the Company's consolidated financial statements is disclosed below. The Company intends to adopt this standard when it becomes effective.

IFRS 16 Leases

The IASB issued its new Lease Standard on January 13, 2016. This new IFRS requires that, for lessees, former operating leases will now be capitalized and recognized on the balance sheet (exceptions for short-term leases and low-value assets are provided). Lease assets and liabilities will be initially measured at the present value of the unavoidable lease payments and amortized over the lease term. Lessor accounting remains consistent with current IFRS standards. Two transition methods are available under IFRS 16: full retrospective and cumulative catch-up. A significant amount of transition relief is permitted under the cumulative catch-up method but will require additional disclosure information. The effective date will be for annual periods beginning on or after June 1, 2019, with earlier adoption permitted. The Company is currently evaluating the impact of adopting IFRS 16 on its financial statements.

Risk management

Credit risk

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual 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 is potentially exposed to credit risk from its customers. The receivables are small and no customer represents more than 10% of the total trade receivables balance. 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.

Accounts payables, accrued liabilities, convertible debt unless converted and bank debt are due within the next 12 months. 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.

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.

The significant accounting policies and estimates 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.

Service fees for consulting services

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 three and six months ended November 30, 2018 and 2017.

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

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. In the Company's case, diluted loss per common share presented is the same as basic loss per common share as the Company has not issued any options or warrants.