NERDS ON SITE INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND NINE MONTHS ENDED FEBRUARY 29, 2020

FORWARD LOOKING STATEMENTS

This MD&A may contain forward- looking statements that involve substantial known and unknown risks and uncertainties. All statements other than statements of historical fact are forward-looking statements, including, without limitation, statements regarding future financial position, business strategy, use of proceeds, corporate vision, proposed acquisitions, partnerships, joint-ventures and strategic alliances and cooperation's, budgets, cost and plans and objectives of or involving the Company. Such forward- looking information reflects management's current beliefs and is based on information currently available to management. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "predicts", "intends", "targets", "aims", "anticipates" or "believes" or variations (including negative variations) of such words and phrases or may be identified by statements to the effect that certain actions "may", "could", "should", "would", "might" or "will" be taken, occur or be achieved. A number of known and unknown risks, uncertainties and other factors may cause the actual results or performance to materially differ from any future results or performance expressed or implied by the forward-looking information. These forward-looking statements are subject to numerous risks and uncertainties, certain of which are beyond the control of the Company including, but not limited to, the impact of general economic conditions and industry conditions. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. The Company does not assume any obligation to update or revise its forward-looking statements, whether as a result of new information, future events, or otherwise, except as required by securities laws.

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 April 27, 2020. 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 consolidated financial statements for the period ended February 29, 2020 and our audited consolidated financial statements and the accompanying notes thereto for the year ended May 31, 2019. The MD&A contains certain forward-looking information that involves risks and uncertainties, including but not limited to, those described in the ''*Risk Factors*'' section.

Basis of Presentation

Our audited financial statements for the year ended May 31, 2019 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 three and nine months ended February 29, 2020 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.

Overview

The Company 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 a Managed IT and CyberSecurity service provider, we operate a network of 155 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 used to manage day to day operations of our Nerds.

Our marketplace is growing with more than 34 million SMEs companies across Canada & USA - anywhere from 1 to 500 people in size. We added 3,000 new Clients during Fiscal year 2019.

There are a number of critical changes in the technology landscape across North America and across the world.

First: IT security was traditionally a bit of an afterthought or addition to IT infrastructure. IT security is now ***more important*** than all other IT infrastructure elements.

Second: Traditionally when optimizing or correcting technology issues, an infection of digital threats was not on the radar, provided basic tools such as anti-virus or endpoint security were in place. But in 2019 we shift our service offering to ***assume*** an infection is present and we respond accordingly inside our Client environments.

Third: Cybercriminals only have to find ***one weakness*** in a Client environment, and they are very organized and sophisticated in this pursuit. The Client must defend on all fronts – ***both technology and team members***.

In response to the increasing threat level, Nerds On Site Inc. is expanding its service offering. Our core business offerings today include …

- Traditional tech-support for printers all the way to full system networks
- Hardware sales
- Software sales
- HaaS - hardware as a service sales
- SaaS - software as a service development and sales
- Virtual real estate (website) and e-commerce creative, development, management and support
- full Managed Security Service Platform
- VOiP phone systems
- Remote and on-site support and services
- Back-up systems across all physical and cloud platforms
- Full office, plant/store premise security and mobile online productivity packages
- Full Google cloud and Microsoft online products and support
- NerdCare contracts (blanket SME and corporate tech assurance programs)
- Mobile App development

- Full Cyber Security Threat Protection Services
- Full Cyber Crime Incident Response Services

Objectives and Strategies

Our focus remains *Driving up the Pleasure, Productivity and Profitability of Technology in the lives of our SME and corporate Clients across Canada and the USA.*

In this current COVID-19 pandemic era, we have new safety protocols in place with our nerds, and with our on-site service procedures with Clients. We are also preparing to respond to the 350+% *increase in cybercrime activity and the resulting onslaught of monetization efforts of this criminal activity 6-12 months (and beyond) down the road. Our efforts right now are provisioning the SME space with standard, secure and productive Remote Workplace station setups. The new normal may now be in development, with some of our old – and some of our new – Clients finding higher productivity opportunities with their distributed work-from-home team members. One thing becoming quite clear is that online security and technology will play an ever more important role in the new enterprise normal. Bright future!

Outside of a number of strong regional players in our space, our #1 competitor across the national landscape of Canada and USA, remains the habit and pattern of SMEs and small corporations regarding their technology. It can be encapsulated in a seven-word sentence "*But we've always done it this way*". Our strategy is to make our brand and brand offerings more approachable and attractive by first offering massive value full tech or security audits and even free dark web cyber security compromise reports, to let Clients know the dangers that lurk in their world of technology today. *"We don't service technology… We serve people with technology".*

The fast-changing world of technology requires us to build a fully liquid learning culture with our collegial network of Nerds. Our virtual University of NERDology programs and IT Pro.tv subscriptions for our nerds offer technology training modules which are updated daily. To enhance our human engineering skills and abilities we support Dale Carnegie and similar programs for our team members.

Going forward it's all about priorities.

Managed Service Providers ("MSPs") of a smaller size are challenged on the talent and the cost front to offer full Managed Security Service Protocols ("MSSP"). Our first priority is to search for appropriate acquisition ("M&A") targets of a certain nature & certain size to build out our centralized MSSP offerings. Our second priority is to build out our Cyber Security Threat Protection Services. And third is to offer our fully tested and successful three-step Cyber Crime Response Protocol for companies and municipalities of all sizes. *A new organization will fall victim to ransomware every 14 seconds in 2019, and every 11 seconds by 2021 according to Cyber Security Ventures* **.

In Fiscal 2020 and onwards, the focus is to penetrate and roll out our business in the USA. We have a roll out strategy that is beginning to grow year over year revenues in four FL, NC, AZ and MI. Once business volume is established in different regions, 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.

***source: https://www.pcmag.com/news/phishing-attacks-increase-350-percent-amid-covid-19-quarantine*
***source: https://phoenixnap.com/blog/ransomware-statistics-facts*

Online Operating System

IAMANERD contains our virtual marketing hub, central ordering, purchasing and invoicing modules, inventory processing, Client relationship management (CRM) module, central product and service offerings, Nerd project team billing module, Nerd to Nerd communication medium, credit card processing tools 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. Most daily administrative tasks, including inventory management, are handled by our system, with the oversight from our administrative office. Our Canadian and USA Nerds are motivated proprietors, who operate under an agreement with the Company, wearing our branded bright red T-shirts and driving 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 sales volume incentives.

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

Fundraising

In Fiscal 2019, the Company focused on business planning, negotiations and discussion with funding providers to fund the expansion in United States.

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 (0.5) 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 $378,555. 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. The Company incurred legal and related expenses for $366,872.

In November and December of 2018, convertible debentures with a face value of $2,826,500 plus interest accrued for $147,057 was converted into 11,894,226 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 years following the Closing Date.

In March, 2019, the Company raised $600,000 by way of a non-brokered private placement offering of 3,000,000 common share units of the Corporation ("Units") at a price of $0.20 per Unit, with each Unit consisting of one (1) Common Share in the capital of the Company ("Common Share") and one (1) Common Share purchase warrant ("Warrant"), with each whole Warrant entitling the holder thereof to purchase one (1) additional Common Share at a purchase price of $0.25 per Common Share for a period of three years from the closing. The Company incurred agent commissions of $48,000 related to the private placement. The agent was also granted 240,000 agent warrants, each warrant exercisable to purchase one (1) Common Share at an exercise price of $0.25 per share for a period of 24 months from the date of closing.

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

Key Performance Indicators

Key performance indicators that we use to manage our business and evaluate our financial results and operating performance include recurring revenue, total revenue, number of customers and expenses.

Recurring revenue and retention rates

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

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

Number of customers

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

Significant Factors Affecting Results of Operations

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

Revenue

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.

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. As the Company is rolling out its operations in the United States, the Company's future revenues and expenses will include revenues and expenses in both Canadian dollars and United States dollars.

Results of Operations

Three and nine months ended February 29, 2020 and February 28, 2019:

	2020 (three months)	2019 (three months)	2020(nine months)	2019 (nine months)
Total Revenue	2,728,401	2,377,836	7,936,490	6,513,807
Gross Profit	847,182	656,814	2,103,437	1,713,125
Operating Expenses	1,054,501	1,416,923	3,754,508	3,109,410
Operating loss	(207,319)	(760,109)	(1,651,071)	(1,396,285)
Net loss	(206,947)	(769,991)	(1,642,712)	(1,503,664)
Loss per share	(0.0024)	(0.0093)	(0.0191)	(0.0225)
Cash flow used in operating activities			(1,377,821)	(2,374,571)
Cash flow from (used) in investing activities			1,162,242	(4,017)
Cash flow from financing activities			129,244	3,315,049

Discussion of Operations: Three and Nine-month periods ended February 29, 2020 and February 28, 2019

Revenue

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

The Company recorded total revenue of $7,936,490 during the nine months ended February 29, 2020 as compared to total revenue of $6,513,807 during the nine months ended February 28, 2019. There was a 21.8% increase in revenue during the nine- month period ended February 29, 2020 as compared to the comparative nine -month period ended February 28, 2019. The Company recorded an increase in both service and product revenues.

The Company recorded total revenue of $2,728,401 during the three months ended February 28, 2020 as compared to total revenue of $2,377,836 during the three months ended February 28, 2019. There was a 14.7% increase in revenue during the three- month period ended February 29, 2020 as compared to the comparative three -month period ended February 28, 2019. The Company recorded an increase in both service and product revenues.

Details of revenue for the nine and three months ended February 29, 2020 and February 28, 2019:

	9 months 2020	9 months 2019	3 months 2020	3 months 2019
	$	$	$	$
Service fees	3,906,538	3,218,914	1,315,033	1,168,562
Product sales (Sale of software, hardware and related)	3,989,294	3,270,509	1,402,388	1,201,776
Miscellaneous fee	40,658	24,384	10,980	7,498
Total	7,936,490	6,513,807	2,728,401	2,377,836

Gross profit

The Company recorded gross profit of $2,103,437 and $1,713,125 during the nine months ended February 29, 2020 and February 28, 2019 respectively. The gross margin increased by 0.2% to 26.5% during the current nine- month period as compared to 26.3% in the prior nine-month period. Sales for three- month period ended February 29, 2020 increased by $350,565 with improvement in gross margin by 3.5% as compared to prior period as a result of better pricing for product sales and a 12.5% increase in service revenue with improved margins.

	Nine months ended February 29, 2020 and February 28, 2019	
	2020	2019
	$	$
Total Revenue	7,936,490	6,513,807
Gross Margin	2,103,437	1,713,125
Gross Margin %	**26.5%**	**26.3 %**

	Three months ended February 29, 2020 and February 28, 2019	
	2020	2019
	$	$
Total Revenue	2,728,401	2,377,836
Gross Margin	847,182	656,814
Gross Margin %	**31.1%**	**27.6 %**

Selling, general and administrative

	Nine months ended February 29, 2020 and February 28, 2019	
	2020	2019
	$	$
Total Expense	3,576,092	3,083,766
As a percentage of revenue	**45.1%**	**47.3 %**

	Three months ended February 29, 2020 and February 28, 2019	
	2020	2019
	$	$
Total Expense	983,734	1,407,775
As a percentage of revenue	**36.1%**	**59.2 %**

The Company has the following breakdown of selling, general and administrative expenses for the three and nine months ended February 29, 2020 and February 28, 2019:

	9 months 2020	9 months 2019	3 months 2020	3 months 2019
	$	$	$	$
Programming and related costs	682,068	375,627	223,813	117,209
Management remuneration and directors' fees	369,209	301,221	115,800	177,304
Office and administrative expenses	694,814	512,251	110,377	251,747
Payroll and related costs	253,973	254,527	94,329	104,748
Legal and professional	111,396	411,439	28,918	53,019
Advertising and promotion	479,550	269,159	96,695	88,459
Bank and interest charges	158,585	139,425	60,416	45,776
Business development	507,706	508,404	161,487	425,048
Communication	176,983	234,138	53,080	83,419
Automobile expenses	141,808	77,575	38,819	61,046
Total	3,576,092	3,083,766	983,734	1,407,775

Selling, general and administrative expenses have seen an increase from 2019 to 2020 for the nine months comparative periods and seen a reduction from 2019 to 2020 for the three months comparative periods.

The main driver for the increase for the nine month period is the increase in advertising and promotion costs expensed primarily for expansion in the US, additional costs relating to office and administrative expenses, an increase in programming and related costs and automobile expenses as Company is exploring new markets in the US. The Company experienced a reduction in legal costs during the current three-and nine-months comparative periods, as prior period comparatives reflected increased legal costs incurred to take the Company public.

The Company focussed on increase in revenues and reducing costs as reflected in revenue increase by more than 14% during the three months comparative periods and cost reduction in excess of 30% in selling, general and administrative expenses for the three months comparative periods primarily relating to reduction in office and administrative expenses, automobile expenses and business development expenses.

Operating loss

	Nine months ended February 29, 2020 and February 28, 2019	
	2020	2019
	$	$
Operating loss	(1,651,071)	(1,396,285)

	Three months ended February 29, 2020 and February 28, 2019	
	2020	2019
	$	$
Operating loss	(207,319)	(760,109)

Net loss

	Nine months ended February 29, 2020 and February 28, 2019	
	2020	2019
	$	$
Net loss	(1,642,712)	(1,503,664)

	Three months ended February 29, 2020 and February 28, 2019	
	2020	2019
	$	$
Net loss	(206,947)	(769,991)

Nine months ended February 29, 2020 and February 28, 2019

Beyond the impact of operating loss as noted above, the other drivers for our net losses are the interest expense for $18,227 and $185,979 for comparative period; non-cash accretion expense for $nil and $208,108 for comparative period; accretion on lease obligation expenses for $30,800 and $nil for comparative period; amortization of convertible debt financing costs for $nil and $94,548 for comparative period; non-cash change in fair value of derivative liability for $nil and credit for $(390,319) for comparative period; interest income credit for $57,476 and $nil for the comparative period; and dividends expense for $nil and $9,063 for comparative period.

Three months ended February 29, 2020 and February 28, 2019

Beyond the impact of operating loss as noted above, the other drivers for our net losses are the interest expense for $6,001 and $9,882 for comparative period; accretion on lease obligation expenses for $11,878 and $nil for comparative period and interest income credit for $18,251 and $nil for the comparative period.

Key balance sheet items

	As at February 29, 2020	As at May 31, 2019
	$	$
Total Assets	3,484,699	4,998,194
Total Liabilities	1,846,613	1,717,396

There were no material changes to the total assets /total liabilities other than reduction in short term investments by $1,353,721, reduction in prepaid expenses and other current assets by $523,835, increase in right-to-use asset by $718,336 and increase in lease obligation by $448,953 as of February 29, 2020 as compared to May 31, 2019.

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 February 29, 2020	As at May 31, 2019
	$	$
Trade and other receivables (net)	289,718	230,347

As of February 29, 2020, our trade receivables balance was $289,718, 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.

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

Contract liabilities

	As at February 29, 2020	As at May 31, 2019
	$	$
Deferred revenue	211,350	367,684

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

Liquidity and capital resources

	As at February 29 2020	As at May 31, 2019
	$	$
Cash	70,902	157,237
Short-term investment	362,383	1,716,104

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 and raised funds through initial public offering and private placements for units.

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:

	Nine months ended February 29, 2020 and February 28, 2019	
	2020	2019
	$	$
Operating activities	(1,377,821)	(2,374,571)
Investing activities	1,162,242	(4,017)
Financing activities	129,244	3,315,049
Increase (Decrease) in cash	(86,335)	936,461
Cash beginning of period	157,237	1,336,340
Cash end of period	70,902	2,272,801

Net cash from (used) in operating activities

Cash flow 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 outflow of $(1,377,821) for nine -months ended February 29, 2020, as compared to outflow of $(2,374,571) in 2019.

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

a) An increase in accounts payable and accrued liabilities by $85,470 as compared to a reduction of ($472,754) during the comparative period.
b) A reduction in prepaid expenses and other assets by $183,340 (net after adjustment of $340,495 relating to re-classification) in 2020 as compared to an increase of ($452,961) during the comparative period.

Net cash from (used) in investing activities

Cash from (used in) investing activities was $1,162,242 in 2020 as compared to $(4,017) in 2019.
During 2019, the outflow of cash was primarily for acquisition of property and equipment for $(6,303). In 2020, the outflow of cash was $(115,855) for lease obligation expense, inflow resulting from reduction in short term investments by $1,353,721 to fund operating activity and outflow resulting from acquisition of property and equipment for $(75,624).

Net cash from (used) in financing activities

Cash provided (used in) by financing activities was $129,244 in 2020 as compared to $3,315,049 in 2019. In 2020, the Company repaid ($48,530) towards loans and capital leases as compared to ($320,954) during the comparative period. In addition, during 2019, the Company raised $3,946,513 proceeds from issuance of units (net) and redeemed $(470,000) of Series A preferred shares.

Off-balance sheet arrangement

The Company has no off-balance sheet arrangement as of February 29, 2020 and May 31, 2019.

Transactions with related parties

Amounts due from related parties as at February 29, 2020 and May 31, 2019 included the following. The origin of these related party receivables was to provide start-up costs and cash flow for start-up operations.

		February 29, 2020	**May 31, 2019**
Ready Aim Fire Enterprising Inc. (a) and (b)	**$**	613,535	793,792
Nerds On-Site South Africa (b)		168,285	202,813
Adam Networks Inc. (a) and (b)*		925,797	1,039,773
Other related parties (b)		41,731	91,086
	$	1,749,348	2,127,464

(a) via same key management personnel
(b) by virtue of common control
(a) and (b) these are due upon demand
* This related party changed its name from DNSthingy Inc to Adam Networks Inc.

In March 2020, the Company executed agreements with related parties to repay the outstanding balances with interest at 10% per annum, payable in monthly installments over a period of 5 years commencing April 1, 2020.

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

	For the three month period ended February 29, 2020	For the three month period ended February 28, 2019	For the nine month period ended February 29, 2020	For the nine month period ended February 28, 2019
Salaries and benefits, including bonuses	$ 82,800	$ 69,690	$ 254,400	$ 193,607
Directors fees	$ 33,000	$ 107,614	$ 114,809	$ 107,614
Total	$ 115,800	$ 177,304	$ 369,209	$ 301,221

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, 2019.

New accounting standards adopted

(a) Leases and right-of-use assets

In January 2016, the IASB issued IFRS 16 - Leases ("IFRS 16"), replacing IAS 17 - Leases. IFRS 16 provides a single lessee accounting model and requires the lessee to recognize assets and liabilities for all leases on its statement of financial position, providing the reader with greater transparency of an entity's lease obligations.

At June 1, 2019, the Company adopted IFRS 16 using the modified retrospective approach and accordingly the information presented for 2018 has not been restated. It remains as previously reported under IAS 17 and related interpretations.

All leases are accounted for by recognizing a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of twelve months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by the incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- Amounts expected to be payable under any residual value guarantee;
- The exercise price of any purchase option granted if it is reasonably certain to assess that option;
- Any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- Lease payments made at or before commencement of the lease;
- Initial direct costs incurred; and
- The amount of any provision recognized where the Company is contractually required to dismantle, remove or restore the leased asset.

Lease liabilities, on initial measurement, increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortized on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if this is judged to be shorter than the lease term.

When the Company revises its estimate of the term of any lease, it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortized over the remaining (revised) lease term. The Company adopted this standard and the impact on the Company's unaudited condensed interim consolidated financial statements are disclosed in notes 15 and 16 to the financial statements.

(a) Uncertainty over Income Tax Treatments: On June 7, 2017, the IASB issued IFRIC Interpretation 23 Uncertainty over Income Tax Treatments. The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Company adopted this standard at June 1, 2019 and there was no material impact on the Company's unaudited condensed interim consolidated financial statements.

Outstanding Share Data

(a) Authorized: Unlimited number of common shares

(b) Issued

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

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

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

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

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

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

On November 28, 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 (0.5) of one Common Share purchase warrant, at a price of $0.35 per Unit, for gross proceeds of $4,731,940.

In March, 2019, the Company raised $600,000 by way of a non-brokered private placement offering of 3,000,000 common share units of the Corporation ("Units") at a price of $0.20 per Unit, with each Unit consisting of one (1) Common Share in the capital of the Company ("Common Share") and one (1) Common Share purchase warrant ("Warrant").

In March 2019, the Company received cash for $1,000 for the exercise of 4,000 agent warrants at $0.25 per share.

As at February 29, 2020 and May 31, 2019, the Company had the following number of shares outstanding post- split adjustment:

Description	**February 29, 2020**	**May 31, 2019**
Common A Shares	86,213,056	86,213,056
Class A Preferred Shares	-	-
Class B Preferred Shares	1,000,000	1,000,000

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

Financial Instruments and Risk Management

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 expected credit losses equal to the estimated losses expected to be incurred in the collection of accounts receivable.

Currency risk

The Company's reported earnings include gain/losses on foreign exchange, largely reflecting revaluation of its foreign operations in the United States. The future foreign exchange gain or loss would change based on the level of foreign operating activities.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if its access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company.

As of February 29, 2020, the Company had cash of $70,902, short-term investments for $362,383 and current liabilities for $1,475,902. Appropriate going concern disclosures have been made in Note 3 to the financial statements.

Capital Management

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

Convertible debentures

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

In November and December of 2018, convertible debentures with a face value of $2,826,500 plus interest accrued for $147,057 was converted into 11,894,226 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 years following the Closing Date.

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 performance obligations in each contract. If the performance obligations 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 performance obligations 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.

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 months ended February 29, 2020 and February 28, 2019.

Customer prepayments, even if non-refundable, are deferred (classified as contract liabilities) 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
Leasehold improvements	Straight line over period of lease

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.

Segment information

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

The Company provides managed 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.

For the three months ended February 29, 2020, the Company's revenue comprises 97% sales in Canada and 3% sales within USA. (February 28, 2019: 96% sales within Canada and 4% sales within USA).

For the nine months ended February 29, 2020, the Company's revenue comprises 98% sales in Canada and 2% sales within USA. (February 28, 2019: 96% sales within Canada and 4% sales within USA).

As of February 29, 2020, all assets of the business are located in Canada except for cash and cash equivalent for $26,804 (May 31, 2019: $5,820), accounts receivable for $26,971 (May 31, 2019: $22,301), right-of-use asset for $701,062 (May 31, 2018: $nil) and prepaid expenses for $29,062 (May 31, 2018: $386,244) which are located in USA.

Risks Related to Our Business and Industry

Uncertainty due to Covid-19

Since December 31, 2019, the break of the novel strain of coronavirus, specially identified as "COVID-19" has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Corporation and its operating subsidiaries in future periods.

If the Corporation fails to identify, recruit and contract with a sufficient number of qualified Consultants, our ability to increase revenues could be materially adversely affected.

We may not be able to identify, recruit or contract with suitable Consultants in our target markets on a timely basis or at all. In addition, our Consultants may not ultimately be able to access the financial or management resources that they need to operate the business, or they may elect to cease business development for other reasons. If we are unable to recruit suitable Consultants or if our Consultants are unable or unwilling to continue to act as consultants, our growth may be slower than anticipated, or cease, which could materially adversely affect our ability to increase our revenue and materially adversely affect our business, financial condition and results of operations.

New Consultants may not be profitable initially and may adversely impact our business.

Historically, many of our new Consultants go through an initial ramp-up period typically lasting 6 to 12 months, during which time they generate sales and income below the levels at which we expect. This is in part due to the time it takes to build a customer base in a new area and other start-up inefficiencies that are typical of new businesses. It may also be difficult for us and our Consultants to attract a customer base, or otherwise overcome the higher costs associated with a new business. New Consultants may not have results similar to existing Consultants or may not be profitable. If new Consultants remain unprofitable for a prolonged period of time, we may jointly decide to terminate the franchise relationship. The termination of a franchise agreement could have a negative impact on our business and operating results.

The Corporation has a history of negative cash flow from operating activities.

The Corporation had negative cash flow from operating activities in its financial year ended May 31, 2019 and may have negative cash flow from operating activities in the future. Some or all of the net proceeds of the Offerings may be used to fund any negative operating cash flow.

Our expansion into new markets in the United States may present increased risks due to lower customer awareness of our brand, our unfamiliarity with those markets and other factors.

While we intend to expand into the United States, our operating experience in Canada may not be relevant or necessarily translate into similar results in the U.S. market. We anticipate that our U.S. franchise partners will experience lower brand awareness, lower sales and/or transaction counts. As a result, new U.S. consultants may be less successful than their Canadian counterparts. Consultants in new markets may take longer to ramp up and reach expected sales and profit levels, or may never do so, thereby affecting our overall growth and profitability as a result of reduced royalty revenue. To build brand awareness in these new markets, we and our franchise partners may need to make greater investments in advertising and promotional activity than originally planned, which could negatively impact the profitability of our operations in those markets. We may also find it more difficult in these new markets to hire, motivate and keep qualified Consultants who can project our vision, passion and culture. The United States may also have regulatory differences with Canada, which we and our U.S. franchise partners may not be familiar with, or that subject us and our U.S. Consultants to significant additional expense or to which we and our U.S. Consultants are not able to successfully comply with, which may have a particularly adverse impact on their sales or profitability and could in turn adversely impact our revenue and results of operations. If we do not successfully execute our U.S. expansion plans, our business, financial condition and results of operations could be materially adversely affected.

Our proposed expansion into the United States may be scaled back or abandoned.

While the Corporation intends to proceed with its expansion into the United States, the Corporation may scale back or abandon the U.S. expansion and reallocate its capital resources to its Canadian operations if the Corporation is unable to successfully establish itself in the U.S. market.

Our business and results of operations depend in significant part on the future performance of our Consultants, and we are subject to a variety of additional risks associated with our Consultants.

Our business and results of operations are significantly dependent upon the success of our franchise partners and Consultants. Our franchise partners and Consultants may be adversely affected by:

- declining economic conditions;
- increased competition in the IT services industry;
- changes in the IT services industry generally, including the way IT services are delivered to consumers;
- demographic trends;
- customers' budgeting constraints; and
- our reputation and consumer perception of our market position.

Our revenue comes from royalties generated by our franchise partners and Consultants. We anticipate that franchise royalties will represent a substantial part of our revenue in the future. Accordingly, we are heavily reliant on the performance of our franchise partners and Consultants in successfully operating their businesses and paying royalties to us on a timely basis. Our franchise system subjects us to a number of risks, any one of which may impact our ability to collect royalty payments from our franchise partners, may harm the goodwill associated with our franchise, and/or may materially adversely affect our business and results of operations.

Failure to support our expanding Consultant network could have a material adverse effect on our business, financial condition and results of operations.

Our growth strategy depends significantly on expanding our Consultant network, which will require the implementation of enhanced management information systems, financial controls and other systems and procedures as well as additional management, franchise support and financial resources. We may not be able to manage our expanding Consultant base effectively. Failure to provide our Consultants with adequate support and resources could materially adversely affect both our new and existing Consultants as well as cause disputes between us and our Consultants and potentially lead to material liabilities. This may also lead to fewer qualified persons seeking to become new Consultants. Any of the foregoing could materially adversely affect our business, financial condition and results of operations.

We and our Consultants rely heavily on information technology, and any material failure, weakness, interruption or breach of our security systems could prevent us from effectively operating our business.

Our and our Consultants' operations depend upon our collective ability to protect our computer equipment and systems against damage from physical theft, fire, power loss, telecommunications failure or other catastrophic events, as well as from internal and external security breaches, viruses and other disruptive problems. The failure of these systems to operate effectively, maintenance problems, upgrading or transitioning to new platforms, expanding our systems as we grow or a breach in security of these systems could result in delays in customer service and reduce efficiency in our operations. Remediation of such problems could result in significant and unplanned capital investments.

We have limited influence over the operations of our Consultants, and we require their cooperation.

Our success relies in part on the financial success and cooperation of our Consultants, yet we have limited influence over their operations. Our Consultants manage their businesses independently. The revenues we realize from Consultants are largely dependent on the ability of our Consultants to grow their sales or maintain existing sales. Our Consultants may not experience sales growth or maintain existing sales, and our revenues and margins could be negatively affected as a result. If sales trends worsen for Consultants, their financial results may deteriorate, which could result in, among other things, delayed or reduced royalty payments to us.

Our success also depends on the willingness and ability of our Consultants to implement major initiatives, which may include financial investment, and to remain aligned with us on operating, promotional and capital-intensive reinvestment plans. If Consultants do not successfully operate their business in a manner consistent with our required standards, the brand's image and reputation could be harmed, which in turn could hurt our business and results of operations.

Conflicts of Interest

Certain of the directors and officers of the Corporation also serve as directors and/or officers of other companies involved in information technology. To the extent that such other companies may participate in ventures which the Corporation may participate there exists the possibility for such directors and officers to be in a position of conflict. Such directors and officers have duties and obligations under the laws of Canada to act honestly and in good faith with a view to the best interests of the Corporation and its Shareholders. Accordingly, such directors and officers will declare and abstain from voting on any matter in which such director and/or officer may have a conflict of interest.

If the Corporation is not able to continue to innovate or if the Corporation fails to adapt to changes in the IT services industry, the Corporation's business, financial condition and results of operations would be materially and adversely affected.

The IT services industry is characterized by rapidly changing technology, evolving industry standards, new service and product introductions and changing customer demands. Furthermore, the Corporation's competitors are constantly developing innovations to service options. The Corporation's failure to innovate and adapt to these changes would have a material adverse effect on the Corporation's business, financial condition and results of operations.

Security breaches and attacks against the Corporation's systems and network, and any potentially resulting breach or failure to otherwise protect confidential and proprietary information could damage the Corporation's reputation and negatively impact the Corporation's business, as well as materially and adversely affect the Corporation's financial condition and results of operations.

Although the Corporation intends to employ significant resources to develop the Corporation's security measures against breaches, the Corporation's cybersecurity measures may be unable to detect or prevent all attempts to compromise the Corporation's systems, including distributed denial-of-service attacks, viruses, malicious software, break-ins, phishing attacks, social engineering, security breaches or other attacks and similar disruptions that may jeopardize the security of information stored in and transmitted by the Corporation's systems or that the Corporation otherwise maintains. Breaches of the Corporation's cybersecurity measures could result in unauthorized access to the Corporation's systems, misappropriation of information or data, deletion or modification of user information, or a denial-of-service or other interruption to the Corporation's business operations. As techniques used to obtain unauthorized access to or sabotage systems change frequently and may not be known until launched against the Corporation, the Corporation may be unable to anticipate, or implement adequate measures to protect against, these attacks.

The Corporation may be subject to material litigation.

In connection with the Corporation's planned U.S. expansion, it may face an increasing number of claims, including those involving higher amounts of damages. The outcome of any claims, investigations and proceedings is inherently uncertain, and in any event defending against these claims could be both costly and time consuming and could significantly divert the efforts and resources of the Corporation's management and other personnel. An adverse determination in any such litigation or proceedings could cause the Corporation to pay damages as well as legal and other costs, limit the Corporation's ability to conduct business and change the manner in which the Corporation operates.

The Corporation may need additional capital but may not be able to obtain it on favorable terms or at all.

The Corporation may require additional cash resources due to future growth and development of the Corporation's business, including any investments or acquisitions the Corporation may decide to pursue. If the Corporation's cash resources are insufficient to satisfy the Corporation's cash requirements, the Corporation may seek to issue additional equity or debt securities or obtain new or expanded credit facilities. The Corporation's ability to obtain external financing in the future is subject to a variety of uncertainties, including the Corporation's future financial condition, results of operations, cash flows and share price performance. In addition, incurring indebtedness would subject the Corporation to increased debt service obligations and could result in operating and financing covenants that would restrict the Corporation's operations. There can be no assurance that financing will be available in a timely manner or in amounts or on terms acceptable to it, or at all. Any failure to raise needed funds on terms favorable to the Corporation, or at all, could severely restrict the Corporation's liquidity as well as have a material adverse effect on the Corporation's business, financial condition and results of operations. Moreover, any issuance of equity or equity-linked securities could result in significant dilution to the Corporation's existing shareholders.

Our dual class share structure has the effect of concentrating voting control and the ability to influence corporate matters with Nerds On Site Holdings Ltd., a corporation controlled by Charles Regan, John Harbarenko and David Redekop.

Our Class B special shares have 10 votes per share and our Subordinate Voting Shares have one vote per share. Nerds On Site Holdings Ltd., the corporation controlled by our Chief Executive Officer and our founders, will hold all of our Class B special shares and will hold approximately 65% of the voting power of our outstanding voting shares following the Offering (assuming the maximum Offering, but no exercise of the Over-Allotment Option) and will therefore have significant influence over our management and affairs and over all matters requiring shareholder approval, including election of directors and significant corporate transactions. The concentrated voting control of Nerds On Site Holdings Ltd. will limit the ability of the holders of our Subordinate Voting Shares to influence corporate matters for the foreseeable future, including the election of directors as well as with respect to decisions regarding amendments of our share capital, creating and issuing additional classes of shares, making significant acquisitions, selling significant assets or parts of our business, merging with other companies and undertaking other significant transactions.

Each of our directors and officers owes a fiduciary duty to the Corporation and must act honestly and in good faith with a view to the best interests of the Corporation. However, any director and/or officer that is a shareholder, even a controlling shareholder, is entitled to vote its shares in its own interests, which may not always be in the interests of our shareholders generally. The concentration of voting power in Nerds On Site Holdings Ltd. may also have an adverse effect on the price of our Subordinate Voting Shares. Nerds On Site Holdings Ltd. may take actions that our other shareholders do not view as beneficial, which may adversely affect our results of operations and financial condition and cause the value of your investment to decline.