

Nerds On Site Inc.

Condensed interim consolidated financial statements

For the three and nine months ended February 28, 2021 and February 29, 2020

(Unaudited - expressed in Canadian Dollars)

NERDS ON SITE INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

THREE AND NINE MONTHS ENDED FEBRUARY 28, 2021 AND FEBRUARY 29, 2020

(Unaudited - Amounts expressed in Canadian Dollars)

TABLE OF CONTENTS

	Page No
<u>Condensed Interim Consolidated Statements of Financial Position as at February 28, 2021 (unaudited) and year ended May 31, 2020 (audited)</u>	<u>1</u>
<u>Condensed Interim Consolidated Statements of loss and Comprehensive loss for the three and nine months ended February 28, 2021 and February 29, 2020 (unaudited)</u>	<u>2</u>
<u>Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Deficiency) for the nine months ended February 28, 2021 and February 29, 2020 (unaudited)</u>	<u>3</u>
<u>Condensed Interim Consolidated Statements of Cash Flows for the nine months ended February 28, 2021 and February 29, 2020 (unaudited)</u>	<u>4</u>
<u>Notes to the condensed interim consolidated financial statements</u>	<u>5-21</u>

NOTICE TO READER

The accompanying condensed interim consolidated financial statements of the Company have been prepared by management and approved by the Board of Directors of the Company. These condensed interim consolidated financial statements have not been reviewed by the Company's external auditors.

Nerds on Site Inc.

Condensed Interim Consolidated Statements of financial position as at February 28, 2021 and May 31, 2020
(Unaudited – expressed in Canadian dollars)

	February 28, 2021 (unaudited)	May 31, 2020(audited)
ASSETS		
CURRENT		
Cash	\$ 274,203	\$ 316,793
Accounts receivable (net of expected credit losses) (Note 4)	265,581	144,335
Inventory (Note 17)	43,130	34,542
Prepaid expenses and other current assets	54,605	121,175
Current portion of due from related party (Note 9)	334,921	324,984
	<u>972,440</u>	<u>941,829</u>
NON-CURRENT		
Due from related parties (Note 9)	1,035,261	1,340,401
Intangible assets (Note 13)	16,306	65,225
Right-of-use assets (Note 14)	184,024	206,066
Property and equipment (Note 5)	259,638	284,136
	<u>1,495,229</u>	<u>1,895,828</u>
TOTAL ASSETS	\$ 2,467,669	\$ 2,837,657
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 12)	\$ 678,666	\$ 712,859
Contract liabilities	292,991	267,659
Bank debt (Note 6)	193,611	206,649
Preferred shares (Note 8)	100	100
Dividend payable (Note 8)	69,479	69,479
Current portion of lease liabilities (Note 15)	22,407	22,366
Current portion of loans payable (Note 7)	27,005	29,863
	<u>1,284,259</u>	<u>1,308,975</u>
NON-CURRENT		
Non-current portion of loans payable (Note 7)	96,376	95,559
Non-current portion of lease liabilities (Note 15)	169,953	187,036
	<u>266,329</u>	<u>282,595</u>
TOTAL LIABILITIES	1,550,588	1,591,570
SHAREHOLDERS' EQUITY		
Common stock (Note 8)	5,802,564	5,802,564
Reserve for warrants	223,104	1,965,400
Reserve for options (Note 20)	231,434	231,434
Contributed surplus	2,026,786	406,351
Accumulated deficit	(7,366,807)	(7,159,662)
TOTAL SHAREHOLDERS' EQUITY	917,081	1,246,087
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 2,467,669	\$ 2,837,657

Basis of presentation and going concern (Note 2)

Approved on behalf of the Board

<Nicole Holden>
Signed: Director

<David Redekop>
Signed: Director

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Nerds on Site Inc.

Condensed Interim Consolidated Statements of loss and comprehensive loss
For the three and nine months ended February 28, 2021 and February 29, 2020
(Unaudited – expressed in Canadian dollars)

	For the three months ended February 28, 2021 \$	For the three months ended February 29, 2020 \$	For the nine months ended February 28, 2021 \$	For the nine months ended February 29, 2020 \$
Revenue	2,826,950	2,728,401	7,575,172	7,936,490
Cost of revenue	(2,108,619)	(1,881,219)	(5,485,842)	(5,833,053)
Gross profit	718,331	847,182	2,089,330	2,103,437
Expenses:				
Selling, general and administrative (Note 11)	(791,934)	(983,734)	(2,397,677)	(3,576,092)
Depreciation of property and equipment (Note 5)	(7,161)	(6,127)	(30,278)	(16,224)
Amortization of right-of-use asset (Note 14)	(7,347)	(62,601)	(22,042)	(156,077)
Amortization of intangible asset (Note 13)	(16,307)	(2,039)	(48,919)	(6,115)
Total operating expenses	(822,749)	(1,054,501)	(2,498,916)	(3,754,508)
Operating loss	(104,418)	(207,319)	(409,586)	(1,651,071)
Interest expense	(3,159)	(6,001)	(13,521)	(18,227)
Interest income	35,606	18,251	108,791	57,476
Accretion on lease liabilities (Note 15)	(4,868)	(11,878)	(14,690)	(30,890)
Loss before income taxes	(76,839)	(206,947)	(329,006)	(1,642,712)
Provision for income taxes	-	-	-	-
Net loss and comprehensive loss	(76,839)	(206,947)	(329,006)	(1,642,712)
Loss per share - basic and diluted	(0.0009)	(0.0024)	(0.0038)	(0.0191)
Weighted average number of common shares outstanding-Basic and Diluted	86,213,056	86,213,056	86,213,056	86,213,056

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Nerds on Site Inc.

Condensed Interim Consolidated Statements of changes in shareholders' equity (deficiency)

For the nine months ended February 28, 2021 and February 29, 2020

(in Canadian dollars)

	Common stock						Total \$
	Shares* #	Amount \$	Warrants reserve \$	Option reserve \$	Contributed surplus \$	Accumulated deficit \$	
Balance as at May 31, 2019	86,213,056	5,802,564	1,965,400	231,434	479,015	(5,197,615)	3,280,798
Net loss for the period	-	-	-	-	-	(1,642,712)	(1,642,712)
Balance as at February 29, 2020	86,213,056	5,802,564	1,965,400	231,434	479,015	(6,840,327)	1,638,086
Balance as at May 31, 2020	86,213,056	5,802,564	1,965,400	231,434	406,351	(7,159,662)	1,246,087
Reclassification on expiry of warrants issued as part of IPO (Note 8)		-	(530,273)	-	530,273	-	-
Reclassification on expiry of warrants issued as part of convertible debentures (Note 10)		-	(1,090,162)	-	1,090,162	-	-
Reclassification on expiry of broker warrants (Note 8)			(121,861)		-	121,861	-
Net loss for the period	-	-	-	-	-	(329,006)	(329,006)
Balance as at February 28, 2021	86,213,056	5,802,564	223,104	231,434	2,026,786	(7,366,807)	917,081

The accompanying notes are an integral part of these condensed interim consolidated financial statements

Nerds on Site Inc.

Condensed Interim Consolidated Statements of cash flows
For the nine months ended February 28, 2021 and February 29, 2020
(Unaudited – expressed in Canadian dollars)

	2021	2020
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Net loss	\$ (329,006)	\$ (1,642,712)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation of property and equipment (Note 5)	30,278	16,224
Amortization on right-of-use asset (Note 14)	22,042	156,077
Amortization of intangible asset (Note 13)	48,919	6,115
Accretion on lease liabilities (Note 15)	14,690	30,890
Changes in working capital:		
Accounts receivable	(121,246)	(59,371)
Inventory	(8,588)	2,480
Prepaid expenses and other assets	66,570	183,340
Accounts payable and accrued liabilities	(34,193)	85,470
Contract liabilities	25,332	(156,334)
Net cash used in operating activities	<u>(285,202)</u>	<u>(1,377,821)</u>
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Changes in short-term investments	-	1,353,721
Payments for acquisition of property and equipment (Note 5)	(5,780)	(75,624)
Net cash from (used) in investing activities	<u>(5,780)</u>	<u>1,278,097</u>
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
Repayments made on loans payable	(2,041)	(48,530)
(Repayments made on) advances from bank debt	(13,038)	(51,342)
Repayment of lease liabilities	(31,732)	(115,855)
Payments received from related parties	295,203	229,116
Net cash flows from financing activities	<u>248,392</u>	<u>13,389</u>
NET INCREASE (DECREASE) IN CASH	(42,590)	(86,335)
CASH, beginning of period	<u>316,793</u>	<u>157,237</u>
CASH, end of period	<u>\$ 274,203</u>	<u>\$ 70,902</u>

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Nerds on Site Inc.

Notes to the condensed interim consolidated financial statements
For the three and nine months ended February 28, 2021
(in Canadian dollars)
(Unaudited)

1. Nature of operations

Nerds on Site Inc. (the “Company”) was incorporated on June 26, 1996 pursuant to the Ontario Business Corporations Act and is engaged in the business of providing information technology services, hardware, software and related support agreements. On December 7, 2018, the Company incorporated a subsidiary in the United States of America as Nerds on Site USA Inc. The Company’s head office is located at 4026 Meadowbrook Drive Unit 120-121, London, ON, N6L 1C7.

2. Basis of presentation

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34: *Interim Financial Reporting*. They do not contain all disclosures required by International Financial Reporting Standards (“IFRS”) for annual financial statements and, accordingly, should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended May 31, 2020. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company’s financial position and performance since the last audited financial statements as at and for the year ended May 31, 2020.

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

The Company has prepared the financial statements using the same accounting policies and methods as the financial statements for the year ended May 31, 2020.

These condensed interim consolidated financial statements were authorized for issue by the Board of Directors on April 28, 2021.

New standards adopted

Effective June 1, 2020, the Company adopted the amendments that were issued by the International Accounting Standards Board on October 22, 2018, to IFRS 3 Business Combinations, which clarified the classification of whether a transaction results in an asset or a business acquisition. The amendments include an election to use a concentration test. This is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. If a preparer chooses not to apply the concentration test, or the test is failed, then the assessment focuses on the existence of a substantive process. The adoption of the amendment to IFRS 3 had no impact on the Company’s condensed consolidated interim financial statements as at and for the three and nine months ended February 28, 2021.

Functional and presentation currencies

The Company’s functional currency is Canadian dollars and the Company’s presentation currency is also Canadian dollars. The subsidiary’s functional currency is in U.S. Dollars.

Nerds on Site Inc.

Notes to the condensed interim consolidated financial statements
For the three and nine months ended February 28, 2021
(in Canadian dollars)
(Unaudited)

2. Basis of presentation (Cont'd)

Basis of consolidation

The consolidated statements incorporate the financial statements of Nerds on Site Inc., and its wholly owned subsidiary, Nerds on Site USA Inc.

Subsidiaries are entities controlled by the Company. Control is achieved where the Company is exposed, or has rights, to variable returns from its involvement with the investee and it has the ability to affect those returns through its power over the investee. In assessing control, only rights which give the Company the current ability to direct the relevant activities and that the Company has the practical ability to exercise is considered. All intercompany transactions, balance, income and expenses are eliminated on consolidation.

3. Going concern

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

The Company has not yet realized profitable operations and has incurred a net loss of \$329,006 during the nine months ended February 28, 2021, with a cumulative deficit of \$7,366,807 as at February 28, 2021 (May 31, 2020 - \$7,159,662). 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 February 28, 2021, the Company had current assets of \$972,440 (May 31, 2020 - \$941,829) to cover current liabilities of \$1,284,258 (May 31, 2020 - \$1,308,975).

Since February 29, 2020, the outbreak of the novel strain of coronavirus, specifically 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 physical distancing, have caused material disruption to business globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. 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 Company in future periods.

Nerds on Site Inc.

Notes to the condensed interim consolidated financial statements
For the three and nine months ended February 28, 2021
(in Canadian dollars)
(Unaudited)

4. Accounts receivable

The Company assumes that the credit risk on a financial asset has increased if it is more than 30 days past due. The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full or when the financial asset is more than 90 days past due. The carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Accounts receivables are stated net of allowance for expected credit losses of \$150,749 and \$136,994 for February 28, 2021 and May 31, 2020, respectively. Accounts receivable consist of amounts due from customers receiving IT consulting services and equipment. Total net accounts receivable amounted to \$265,581 and \$144,335 at February 28, 2021 and May 31, 2020 respectively.

5. Property and equipment

The following is a roll-forward of property and equipment as at February 28, 2021 and May 31, 2020:

	Computer Hardware	Computer Software	Furniture and Fixtures	Vehicles	Websites	Leasehold Improvement	Total
Cost							
Balance as at May 31, 2019	71,741	15,684	15,000	337,197	1,250	-	440,872
Additions	32,533	-	-	238,729*	-	47,471	318,733
Disposals	-	-	-	-	-	-	-
Balance as at May 31, 2020	104,274	15,684	15,000	575,926	1,250	47,471	759,605
Additions	5,530	-	-	-	-	250	5,780
Disposals	-	-	-	-	-	-	-
Balance as at February 28, 2021	\$ 109,804	\$ 15,684	\$ 15,000	\$ 575,926	\$ 1,250	\$ 47,721	\$ 765,385
Accumulated Depreciation							
Balance as at May 31, 2019	64,292	15,684	15,000	313,712	1,250	-	409,938
Addition	-	-	-	41,065*	-	-	41,065
Depreciation	7,527	-	-	14,496	-	2,443	24,466
Balance as at May 31, 2020	71,819	15,684	15,000	369,273	1,250	2,443	475,469
Addition	-	-	-	-	-	-	-
Depreciation	7,048	-	-	8,989	-	14,241	30,278
Balance as February 28, 2021	\$ 78,867	\$ 15,684	\$ 15,000	\$ 378,262	\$ 1,250	\$ 16,684	\$ 505,747
Net Carrying Amounts							
As at May 31, 2020	\$ 32,455	\$ -	\$ -	\$ 206,653	\$ -	42,584	\$ 284,136
As at February 28, 2021	\$ 30,937	\$ -	\$ -	\$ 197,664	\$ -	\$ 31,037	\$ 259,638

*Reflects vehicles acquired from right- of- use asset on early payment of lease

Nerds on Site Inc.

Notes to the condensed interim consolidated financial statements
For the three and nine months ended February 28, 2021
(in Canadian dollars)
(Unaudited)

6. Bank debt

The Company has a revolving line of credit from Toronto-Dominion Bank ("TD Bank") available for up to \$175,000 in order to fund working capital. Interest is charged at TD Bank Prime rate plus 2.25% and repayment is due on demand. During the nine months ended February 28, 2021, total interest expense recorded under selling, general and administrative expenses was \$5,226 (2019: \$ 6,941). The operating line is secured by a general security agreement, assignment of insurance, unlimited guarantee advances executed by the Company and postponement of assignments of creditors' claims.

Any amounts overdrawn over \$175,000 are considered temporary as such overdrawn amounts are repaid subsequently.

The balance outstanding was \$193,611 and \$206,649 at February 28, 2021 and May 31, 2020, respectively, and is presented as a current liability in the consolidated statements of financial position.

7. Loans payable

The carrying values of loans payable were as follows:

	<u>February 28, 2021</u>	<u>May 31, 2020</u>
<i>Current portion</i>		
BDC Loans	\$ 19,920	\$ 19,920
Vehicle loans	<u>7,085</u>	<u>9,943</u>
	<u>27,005</u>	<u>29,863</u>
<i>Non-current portion</i>		
BDC Loans	21,988	36,520
CERB loan	60,000	40,000
Vehicle loans	<u>14,388</u>	<u>19,039</u>
	<u>96,376</u>	<u>95,559</u>
	<u>\$ 123,381</u>	<u>\$ 125,422</u>

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

CERB (Canada Emergency Business Account) is an interest free loan to assist with cash flow needs. If this loan is repaid in full by December 31, 2022, \$20,000 of the amount loaned under CEBA is forgiven.

Interest expense incurred for the nine- month period ended February 28, 2021 was \$3,522 (February 29, 2020: \$8,055)

Nerds on Site Inc.

Notes to the condensed interim consolidated financial statements
For the three and nine months ended February 28, 2021
(in Canadian dollars)
(Unaudited)

8. Preferred shares liability and Common stock

The Company is authorized an unlimited number of Class A preferred shares, non-voting, redeemable, with cumulative dividends and Class B preferred shares, voting, redeemable, with non-cumulative dividends Common shares.

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. As at May 31, 2019, \$69,479 of dividends remain unpaid (May 31, 2018: \$60,417). 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 31, 2018 and 2017, the Company redeemed \$30,000 and \$500,000 of Class A Preferred Shares respectively. During the year ended May 31, 2019, the Company redeemed the balance of \$470,000 of Class A Preferred Shares.

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 to settle \$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.

Nerds on Site Inc.

Notes to the condensed interim consolidated financial statements
For the three and nine months ended February 28, 2021
(in Canadian dollars)
(Unaudited)

8. Preferred shares liability and Common stock (continued)

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. One whole warrant is exercisable to purchase one (1) Common Share at an exercise price of \$0.70 per share for a period of 24 months from date of closing. The Company incurred agent commissions of \$378,555, corporate finance fees of \$40,000 paid to the agent, legal and related expenses of \$366,872 for a total of \$785,427, which was offset against the proceeds in equity.

The net proceeds from the issuance of units for \$3,946,513 was allocated to common shares and warrants. The Black-Scholes option pricing model was used to determine the relative fair value of the warrants using the following weight average assumptions: Expected dividend yield of 0%; risk free interest rate of 2.21%; expected volatility of 100%; expected life of 2 years; and share price of \$0.275. The total proceeds were allocated as follows:

Total proceeds	\$ 4,731,940
Issuance costs	\$ (785,427)
Net proceeds	\$ 3,946,513
Allocated to share capital	\$ 3,416,240
Allocated to warrant reserve	\$ 530,273

The agent was granted 1,081,586 agent warrants, each warrant exercisable to purchase a unit at a price of \$0.35 per unit for a period of 24 months from the date of listing. The fair value of these agent warrants was estimated at \$121,861 using Black-Scholes option pricing model. The valuation considered the following assumptions- risk free rate of 2.21%; expected dividends 0%; expected forfeiture rate of 0%; expected volatility of 100%; expected life of 2 years; and unit price of \$0.275.

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 Black-Scholes option pricing model was used to determine the fair value of the warrants using the following weight average assumptions: Expected dividend yield of 0%; risk free interest rate of 1.68%; expected volatility of 100%; expected life of 3 years; and share price of \$0.21.

The Company incurred agent commissions of \$48,000 related to the private placement which was offset against proceeds within equity. 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. The fair value of these agent warrants was estimated at \$18,692 using Black-Scholes option pricing model. The valuation considered the following assumptions- risk free rate of 1.68%; expected dividends 0%; expected forfeiture rate of 0%; expected volatility of 100%; share price of \$0.21 and expected life of 3 years.

Nerds on Site Inc.

Notes to the condensed interim consolidated financial statements
For the three and nine months ended February 28, 2021
(in Canadian dollars)
(Unaudited)

8. Preferred shares liability and Common stock (continued)

The total proceeds were allocated as follows:

Total proceeds	\$ 600,000
Issuance costs	\$ (48,000)
Net proceeds	\$ 552,000
Allocated to share capital	\$ 328,584
Allocated to warrant reserve – agent warrants	\$ 18,692
Allocated to warrant reserve – common share purchase warrants	\$204,724

In March 2019, the Company received cash for \$1,000 for the exercise of 4,000 agent warrants at \$0.25 per share. Accordingly, \$312 was transferred from warrant reserve to share capital.

As at February 28, 2021 and May 31, 2020, the Company had the following number of shares outstanding post-split adjustment:

Description	February 28, 2021	May 31, 2020
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

9. Related party balances and transactions

Amounts due from related parties as at February 28, 2021 and May 31, 2020 included the following. The origin of these related party receivables was to provide start-up costs and cash flow for start-up operations. The Company has executed agreements with these related parties to repay the principal outstanding in monthly installments over a period of five years at rates of interest ranging from 8%pa to 10%pa. In addition, an amount of \$149,000 due to a related party in the prior year was netted during the year ended May 31, 2020, with a receivable from related party. The carrying values of the related party balances were as follows:

	February 28, 2021	May 31, 2020
<i>Current portion</i>		
Ready Aim Fire Enterprising Inc. (a) and (b)	\$ 103,770	98,830
Nerds On-Site South Africa (b)	28,451	27,455
Adam Networks Inc. (a) and (b)*	202,700	198,699
	<u>\$ 334,921</u>	<u>\$ 324,984</u>
<i>Non-current portion</i>		
Ready Aim Fire Enterprising Inc. (a) and (b)	\$ 387,702	\$ 481,724
Nerds On-Site South Africa (b)	114,651	135,581
Adam Networks Inc. (a) and (b)*	507,184	676,475
Other related parties (b)	25,724	46,621
	<u>\$ 1,035,261</u>	<u>\$ 1,340,401</u>

(a) via same key management personnel

(b) by virtue of common control

* This related party changed its name from DNSstingy Inc to Adam Networks Inc.

Nerds on Site Inc.

Notes to the condensed interim consolidated financial statements
For the three and nine months ended February 28, 2021
(in Canadian dollars)
(Unaudited)

9. Related party balances and transactions (Continued)

The Company recorded revenue from the following related parties during the three and nine months ended February 28, 2021 and February 29, 2020:

	Ready Aim Fire Enterprising Inc. (\$)	Adam Networks Inc (\$)	Nerds On Site South Africa (\$)	Total (\$)
Three months ended February 28, 2021	18,434 (a)	14,406 (b)	9,310 (c)	42,150
Three months ended February 29, 2020	16,245	19,165	6,290	41,700
Nine months ended February 28, 2021	71,650 (d)	46,169 (e)	28,404 (f)	146,223
Nine months ended February 29, 2020	63,519	58,390	20,455	142,364

- (a) includes interest on receivables for \$12,797 (3 months ended February 29, 2020: \$nil)
(b) includes interest on receivables for \$ 14,406 (3 months ended February 29, 2020: \$19,165)
(c) includes interest on receivables for \$3,537 (3 months ended February 29, 2020: \$nil)
(d) includes interest on receivables for \$40,187 (9 months ended February 29, 2020: \$nil)
(e) includes interest on receivables for \$46,169 (9 months ended February 29, 2020: \$58,390)
(f) includes interest on receivables for \$11,106 (9 months ended February 29, 2020: \$nil)

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

	For the three month period ended February 28, 2021	For the three month period ended February 29, 2020	For the nine month period ended February 28, 2021	For the nine month period ended February 29, 2020
Salaries and benefits, including bonuses	\$ 90,090	\$ 82,800	\$ 270,270	\$ 254,400
Directors fees	\$ 21,142	\$ 33,000	\$ 87,888	\$ 114,809
Total	\$ 111,232	\$ 115,800	\$ 358,158	\$ 369,209

10. 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 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

Nerds on Site Inc.

Notes to the condensed interim consolidated financial statements
For the three and nine months ended February 28, 2021
(in Canadian dollars)
(Unaudited)

10. Convertible debentures (Continued)

(each a Common Share) on the Canadian Securities Exchange (or any other Canadian exchange on which the Common Shares may be listed).

Each Unit consisted of one (1) Common Share and one (1) common share purchase warrant of the Company (each a Warrant). Each Warrant entitles the holder thereof to acquire one (1) Common Share for an exercise price of \$0.30 per Common Share for a period of two (2) years following the Closing Date (the Warrant Exercise Period).

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

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

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

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

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

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

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

Nerds on Site Inc.

Notes to the condensed interim consolidated financial statements
For the three and nine months ended February 28, 2021
(in Canadian dollars)
(Unaudited)

10. Convertible debentures (Continued)

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

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

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

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

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

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.

Nerds on Site Inc.

Notes to the condensed interim consolidated financial statements
For the three and nine months ended February 28, 2021
(in Canadian dollars)
(Unaudited)

10. Convertible debentures (Continued)

The continuity of the convertible debentures and the derivative liability is as follows:

Convertible debenture

	27-Oct-17	20-Nov-17	Total
Value of host debt instrument upon issuance	1,773,887	596,682	2,370,569
Less: Deferred financing costs	(161,041)	(60,779)	(221,820)
Debt instrument, net of deferred financing costs	1,612,846	535,903	2,148,749
Accretion expense	216,955	64,868	281,823
Amortization of deferred financing costs	95,301	31,971	127,272
Balance, May 31, 2018	1,925,102	632,742	2,557,844
Accretion expense	149,658	58,450	208,108
Amortization of deferred financing costs	65,740	28,808	94,548
Balance, before conversion	2,140,500	720,000	2,860,500
Accrued interest, May 31, 2018	126,671	37,874	164,545
Accrued interest prior to conversion	101,492	36,416	137,908
Total interest accrued	228,163	74,290	302,453
Total convertible debenture at conversion	2,368,663	794,290	3,162,953
Paid in cash	(144,190)	(45,206)	(189,396)
Balance before conversion	2,224,473	749,084	2,973,557
Reclassification to equity upon conversion	(2,224,473)	(749,084)	(2,973,557)
Convertible debenture as at May 31, 2020 and November 30, 2020	-	-	-

During the year ended May 31, 2019 and prior to the conversion, accretion expense of \$208,108 (May 31, 2018: \$281,823) and interest expense of \$137,908 (May 31, 2018: \$164,545) was recognized in the consolidated statement of loss and comprehensive loss.

Nerds on Site Inc.

Notes to the condensed interim consolidated financial statements
For the three and nine months ended February 28, 2021
(in Canadian dollars)
(Unaudited)

10. Convertible debentures (Continued)

The fair value of the conversion feature on exercise was estimated using the Black-Scholes pricing model with the following assumptions: share price of \$0.35, expected dividend yield of 0%, risk free interest rate of 2.19%- 2.22%, volatility of 100%, and expected life of 0 years. At extinguishment, the Company recognized a gain on fair value of derivative liability of \$104,225 in the consolidated statement of loss and comprehensive loss, and \$286,095 of the derivative liability's value was reclassified to equity upon conversion.

Derivative liability

	27-Oct-17	20-Nov-17	Total
Value of derivative liability at issuance	366,613	123,318	489,931
Change in fair value of derivative liability	(77,178)	(22,434)	(99,612)
Value of conversion feature as at May 31, 2018	289,435	100,884	390,319
Change in fair value of derivative liability	(75,352)	(28,873)	(104,225)
Value of derivative liability as at conversion	214,083	72,011	286,094
Reclassification to equity upon conversion	(214,083)	(72,011)	(286,094)
Value of conversion feature as at May 31, 2020 and November 30, 2020	-	-	-

The Black-Scholes option pricing model was used to determine the relative fair value of the warrants using the following weight average assumptions: Expected dividend yield of 0%; risk free interest rate of 2.16%; expected volatility of 100%; expected life of 2 years; and share price of \$0.270.

The proceeds of the convertible debenture conversion were allocated as follows:

Total amounts reclassified to equity upon conversion	\$ 3,259,651
Allocated to share capital	\$ 2,169,489
Allocated to warrant reserve	\$ 1,090,162

Nerds on Site Inc.

Notes to the condensed interim consolidated financial statements
For the three and nine months ended February 28, 2021
(in Canadian dollars)
(Unaudited)

11. Selling, general and administrative expenses

The Company has the following breakdown of selling, general and administrative expenses for the three and nine months ended February 28, 2021 and February 29, 2020:

	9 months	9 months	3 months	3 months
	2021	2020	2021	2020
	\$	\$	\$	\$
Programming and related costs	585,426	682,068	196,722	223,813
Management remuneration	358,158	369,209	111,232	115,800
Office and administrative expenses	298,650	694,814	90,564	110,377
Payroll and related costs	229,942	253,973	74,623	94,329
Legal and professional	121,400	111,396	47,554	28,918
Advertising and promotion	110,475	479,550	38,230	96,695
Bank and interest charges	169,289	158,585	61,475	60,416
Business development	287,558	507,706	84,609	161,487
Communication	178,654	176,983	60,340	53,080
Automobile expenses	58,125	141,808	26,585	38,819
Total	2,397,677	3,576,092	791,934	983,734

12. Accounts Payable

Accounts payable and accrued liabilities as of February 28, 2021 and May 31, 2020 constitutes the following:

	February 28, 2021	May 31, 2020
	\$	\$
Accounts payable	315,078	336,390
Accrued liabilities	256,353	308,365
Wages payable	12,876	13,253
Subcontractor payable	63,891	33,994
Others	30,468	20,856
	678,666	712,859

13. Intangible assets

The Company has capitalized development costs under IAS 38 relating to the costs incurred to become certified by Apple Canada to be able to service Apple products. The balance capitalized costs of \$16,306 as at February 28, 2021 (May 31, 2020: \$65,225) is being amortized completely over the current year ending May 31, 2021.

Nerds on Site Inc.

Notes to the condensed interim consolidated financial statements
For the three and nine months ended February 28, 2021
(in Canadian dollars)
(Unaudited)

14. Right-of-use Asset

The following shows the movement of the Company's right-of-use asset.

IFRS 16-right-of-use asset recognition as of June 1, 2019	\$262,770
Opening right -of-use asset relating to vehicle leases	\$262,770
Transfer from prepaid expenses	\$122,700
Addition to vehicle leases during the year	\$488,943
Addition to office lease during the year	\$197,776
Early termination of vehicle leases	\$(503,400)
Early repayment of vehicle leases	\$(197,664)
Amortization during the year	\$(165,059)
Balance, May 31, 2020	\$206,066
Amortization during the period	\$(22,042)
Balance, February 28, 2021	\$184,024

Right-of-use asset includes prepayments and leases for vehicles and office space amortized over their period of lease. The Company expensed a net loss of \$nil (year ended May 31, 2020: \$51,895) on early termination of vehicle leases.

Nerds on Site Inc.

Notes to the condensed interim consolidated financial statements
For the three and nine months ended February 28, 2021
(in Canadian dollars)
(Unaudited)

15. Lease Liability

At the commencement date of the leases, the lease liability was measured at the present value of the lease payments that were not paid at that date. The lease payments are discounted using an interest rate of 10% which is the Company's incremental borrowing rate.

Balance June 1, 2019	\$262,770
Addition	\$468,924
Accretion on lease obligation	\$37,788
Lease payments made during the period	\$(129,033)
Early termination of vehicle leases	\$(310,848)
Early repayment of vehicle leases	\$(120,199)
Balance May 31, 2020	\$209,402
Accretion on lease obligation	\$14,690
Lease payments made during the period	\$(31,732)
Balance February 28, 2021	\$192,360
Less than one year	\$22,407
Greater than one year	\$169,953
Total lease obligation	\$192,360

16. Revenue

Details of revenue for the three and nine months ended February 28, 2021 and February 29, 2020:

	9 months 2021	9 months 2020	3 months 2021	3 months 2020
	\$	\$	\$	\$
Service fees	3,538,594	3,906,538	1,241,539	1,315,033
Product sales (Sale of software, hardware and related)	4,026,259	3,989,294	1,585,241	1,402,388
Miscellaneous fee	10,319	40,658	170	10,980
Total	7,575,172	7,936,490	2,826,950	2,728,401

Nerds on Site Inc.

Notes to the condensed interim consolidated financial statements
For the three and nine months ended February 28, 2021
(in Canadian dollars)
(Unaudited)

17. Inventory

The Company had \$43,130 and \$34,542 of finished goods inventory purchased for resale as at February 28, 2021 and May 31, 2020, respectively. The value of the inventory is equivalent to lower of cost or market value as of the reporting dates above.

18. 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 28, 2021, the Company's revenue comprises 96% sales in Canada and 4% sales within USA. (February 29, 2020: 97% sales in Canada and 3% sales within USA).

For the nine months ended February 28, 2021, the Company's revenue comprises 96% sales in Canada and 4% sales within USA. (February 29, 2020: 98% sales in Canada and 2% sales within USA).

As of February 28, 2021, all assets of the business are located in Canada except for cash and cash equivalent for \$31,098 (May 31, 2020: \$35,704), accounts receivable for \$6,537 (May 31, 2020: \$13,639), vehicles for \$197,663 (May 31, 2020: \$197,664), inventory for \$826 (May 31, 2020: \$nil) and prepaid expenses for \$nil (May 31, 2020: \$25,066) which are located in USA.

19. Warrants

The following table reflects the continuity of warrants for the period ended February 28, 2021 and year ended May 31, 2020:

Number of warrants outstanding and exercisable	#
Balance at May 31, 2018	756,000
Issued as part of IPO Issuance (Note 8)	6,759,915
Agent warrants issued as part of IPO Issuance (Note 8)	1,081,586
Issued as part of convertible debentures conversion (Note 10)	11,894,226
Issued as part of Private Placement (Note 8)	3,000,000
Agent warrants issued as part of Private Placement (Note 8)	240,000
Exercised warrants (Note 8)	(4,000)
Expired warrants	(756,000)
Balance at May 31, 2019 and May 31, 2020	22,971,727
Expired warrants	(6,759,915)
Expired warrants	(1,081,586)
Expired warrants	(11,894,226)
Balance at February 28, 2021	3,236,000

Nerds on Site Inc.

Notes to the condensed interim consolidated financial statements
For the three and nine months ended February 28, 2021
(in Canadian dollars)
(Unaudited)

20. Share-based compensation

During the year ended May 31, 2019, the Company adopted a stock option plan.

During the year ended May 31, 2019, the Company issued 2,450,000 stock options. Each option entitles the holder to purchase one common stock of the Company. None of the options issued have been exercised.

No options were issued during the period ended February 28, 2021.

The continuity of stock options are as follows:

	Number of Options	Weighted Avg Exercise Price (CDN\$)
Balance at May 31, 2018	-	-
Stock options issued during the year	2,450,000	0.42
Stock options exercised during the year	-	-
Stock options expired during the year	-	-
Stock options cancelled during the year	-	-
Balance at May 31, 2019, May 31, 2020 and February 28, 2021	2,450,000	0.42

As at February 28, 2021, details of the issued and outstanding stock options are as follows:

Grant date	Exercise price (CDN\$)	Number of options issued and outstanding	Number of vested options outstanding	Weighted Avg Remaining Life (years)
April 25, 2019	\$ 0.42	2,450,000	2,450,000	0.15

The Company granted 2,450,000 stock options during the year ended May 31, 2019 and recorded stock-based compensation expense for \$231,434 for the vesting of all options granted. The fair value of options granted during the year ended May 31, 2019 was estimated using the Black-Scholes option pricing model to determine the fair value of options granted using the following assumptions:

	<u>April 25, 2019</u>
Volatility	100%
Risk-free interest rate	1.55%
Expected life	2 year
Dividend yield	0%
Common stock price	\$0.24
Strike price	\$0.42
Forfeiture rate	nil

21. Subsequent events

Subsequent to the period ended February 28, 2021, 400,000 warrants were exercised for 400,000 common shares at \$0.25 per share.