

Nerds on Site Inc.

Condensed interim consolidated financial statements

For the three months ended August 31, 2022 and 2021

(Unaudited - expressed in Canadian Dollars)

NERDS ON SITE INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED AUGUST 31, 2022 AND 2021

(Unaudited - Amounts expressed in Canadian Dollars)

TABLE OF CONTENTS

	Page No
<u>Condensed Interim Consolidated Statements of Financial Position as at August 31, 2022 (unaudited) and year ended May 31, 2022 (audited)</u>	<u>1</u>
<u>Condensed Interim Consolidated Statements of loss and Comprehensive loss for the three months ended August 31, 2022 and August 31, 2021 (unaudited)</u>	<u>2</u>
<u>Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Deficiency) for the three months ended August 31, 2022 and August 31, 2021 (unaudited)</u>	<u>3</u>
<u>Condensed Interim Consolidated Statements of Cash Flows for the three months ended August 31, 2022 and August 31, 2021 (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 August 31, 2022 and May 31, 2022
(Unaudited – expressed in Canadian dollars)

	August 31, 2022 (unaudited)	May 31, 2022(audited)
ASSETS		
CURRENT		
Cash	\$ 299,495	\$ 279,459
Accounts receivable (net of expected credit losses) (Note 4)	243,540	180,104
Inventory (Note 15)	102,999	141,461
Prepaid expenses and other current assets	124,494	47,029
Current portion of due from related party (Note 9)	399,510	389,540
	<u>1,170,038</u>	<u>1,037,593</u>
NON-CURRENT		
Due from related parties (Note 9)	260,973	365,252
Right-of-use assets (Note 12)	146,630	151,534
Property and equipment (Note 5)	128,260	121,777
	<u>535,863</u>	<u>638,563</u>
TOTAL ASSETS	\$ 1,705,901	\$ 1,676,156
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 11)	\$ 1,084,589	\$ 857,280
Contract liabilities	227,275	278,039
Bank debt (Note 6)	228,322	250,165
Preferred shares (Note 8)	100	100
Dividend payable (Note 8)	69,479	69,479
Due to related party (Note 9)	200,242	159,242
Current portion of lease liabilities (Note 13)	18,067	18,267
Current portion of loans payable (Note 7)	24,421	26,606
	<u>1,852,495</u>	<u>1,659,178</u>
NON-CURRENT		
Non-current portion of loans payable (Note 7)	27,328	19,283
CEBA loans (Note 7)	38,276	37,826
Non-current portion of lease liabilities (Note 13)	145,186	148,623
	<u>210,790</u>	<u>205,732</u>
TOTAL LIABILITIES	2,063,285	1,864,910
SHAREHOLDERS' DEFICIENCY		
Common stock (Note 8)	6,293,608	6,293,608
Reserve for warrants	-	-
Reserve for options (Note 18)	422,008	422,008
Contributed surplus	2,575,889	2,575,889
Accumulated deficit	(9,648,889)	(9,480,259)
TOTAL SHAREHOLDERS' DEFICIENCY	(357,384)	(188,754)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY	\$ 1,705,901	\$ 1,676,156

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 months ended August 31, 2022 and 2021
(Unaudited – expressed in Canadian dollars)

	2022	2021
Revenue (Note 14)	\$ 2,546,552	\$ 2,568,512
Cost of revenue	<u>(1,849,267)</u>	<u>(1,903,193)</u>
Gross Profit	<u>697,285</u>	<u>665,319</u>
Expenses		
Selling, general and administrative (Note 10)	(861,858)	(897,960)
Depreciation of property and equipment (Note 5)	(5,576)	(2,502)
Amortization of right-of-use asset (Note 12)	(4,904)	(7,348)
Total operating expenses	<u>(872,338)</u>	<u>(907,810)</u>
Operating loss	(175,053)	(242,491)
Interest expense	(12,575)	(4,762)
Interest income	23,164	36,398
Accretion on lease liabilities (Note 13)	(4,166)	(4,628)
Loss before income taxes	(168,630)	(215,483)
Provision for income taxes	<u>-</u>	<u>-</u>
Net loss and comprehensive loss	<u>(168,630)</u>	<u>(215,483)</u>
Loss per share - Basic and Diluted	<u>\$ (0.0019)</u>	<u>\$ (0.0024)</u>
Weighted average number of common shares outstanding - Basic and Diluted	<u>89,411,115</u>	<u>89,411,115</u>

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 three months ended August 31, 2022 and 2021

(in Canadian dollars)

	Common stock						
	Shares* #	Amount \$	Warrants reserve \$	Option reserve \$	Contributed surplus \$	Accumulated deficit \$	Total \$
Balance as at May 31, 2021	89,411,115	6,293,608	195,808	422,008	2,380,081	(8,547,430)	744,075
Net loss for the period	-	-	-	-	-	(215,483)	(215,483)
Balance as at August 31, 2021	89,411,115	6,293,608	195,808	422,008	2,380,081	(8,762,913)	528,592
Balance as at May 31, 2022	89,411,115	6,293,608	-	422,008	2,575,889	(9,480,259)	(188,754)
Net loss for the period	-	-	-	-	-	(168,630)	168,630
Balance as at August 31, 2022	89,411,115	6,293,608	195,808	422,008	2,575,889	(9,648,889)	(357,384)

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 three months ended August 31, 2022 and 2021
(Unaudited – expressed in Canadian dollars)

	2022	2021
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Net loss	\$ (168,630)	\$ (215,483)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation of property and equipment (Note 5)	5,576	2,502
Amortization on right-of-use asset (Note 12)	4,904	7,348
Accrued interest	450	836
Accretion on lease liabilities (Note 13)	4,166	4,627
Changes in working capital:		
Accounts receivable	(63,436)	(27,359)
Inventory	38,462	35,561
Prepaid expenses and other assets	(77,465)	(53,397)
Accounts payable and accrued liabilities	227,309	104,862
Contract liabilities	(50,764)	(78,342)
Net cash used in operating activities	<u>(79,428)</u>	<u>(218,845)</u>
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Payments for acquisition of property and equipment (Note 5)	(12,059)	(16,868)
Net cash from (used) in investing activities	<u>(12,059)</u>	<u>(16,868)</u>
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
(Repayments made on) advances from loans	5,860	(7,062)
(Repayments made on) advances from bank debt	(21,843)	(33,144)
Repayment of lease liabilities	(7,803)	(10,050)
Due to related party (Note 9)	41,000	-
Payments due from related parties (Note 9)	94,309	247,198
Net cash flows from financing activities	<u>111,523</u>	<u>196,942</u>
NET INCREASE (DECREASE) IN CASH	20,036	(38,771)
CASH, beginning of period	<u>279,459</u>	<u>390,655</u>
CASH, end of period	<u>\$ 299,495</u>	<u>\$ 351,884</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 months ended August 31, 2022 and 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, 2022. 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, 2022.

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, 2022.

These condensed interim consolidated financial statements were authorized for issue by the Board of Directors on October 28, 2022.

New standards not yet adopted

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

The IASB has published Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) which clarifies the guidance on whether a liability should be classified as either current or non-current. The amendments:

- clarify that the classification of liabilities as current or non-current should only be based on rights that are in place "at the end of the reporting period"
- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability
- make clear that settlement includes transfers to the counterparty of cash, equity instruments, other assets or services that result in extinguishment of the liability.

This amendment is effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted. The extent of the impact of adoption of this amendment has not yet been determined.

Nerds on Site Inc.

Notes to the condensed interim consolidated financial statements
For the three months ended August 31, 2022 and 2021
(in Canadian dollars)
(Unaudited)

2. Basis of presentation (Cont'd)

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.

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 \$168,630 during the three months ended August 31, 2022, with a cumulative deficit of \$9,648,889 as at August 31, 2022 (May 31, 2022 - \$9,480,259). 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 August 31, 2022, the Company had current assets of \$1,170,038 (May 31, 2022 - \$1,037,593) to cover current liabilities of \$1,852,495 (May 31, 2022 - \$1,659,178).

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 months ended August 31, 2022 and 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 \$102,664 and \$95,340 for August 31, 2022 and May 31, 2022, respectively. Accounts receivable consist of amounts due from customers receiving IT consulting services and equipment. Total net accounts receivable amounted to \$243,540 and \$180,104 at August 31, 2022 and May 31, 2022 respectively.

5. Property and equipment

The following is a roll-forward of property and equipment as at August 31, 2022 and May 31, 2022:

	Computer Hardware	Computer Software	Furniture and Fixtures	Vehicles	Websites	Leasehold Improvement	Total
Cost							
Balance as at May 31, 2021	\$ 112,940	15,684	15,000	575,926	1,250	47,721	768,521
Additions	10,264	-	-	16,868	-	-	27,132
Balance as at May 31, 2022	123,204	15,684	15,000	592,794	1,250	47,721	795,653
Additions	-	-	-	12,059	-	-	12,059
Balance as at August 31, 2022	\$ 123,204	\$ 15,684	\$ 15,000	\$ 604,853	\$ 1,250	\$ 47,721	\$807,712
Accumulated Depreciation							
Balance as at May 31, 2021	\$ 81,368	15,684	15,000	457,837	1,250	21,432	592,571
Depreciation	15,998	-	-	65,307	-	-	81,305
Balance as at May 31, 2022	97,366	15,684	15,000	523,144	1,250	21,432	673,876
Depreciation	3,165	-	-	2,411	-	-	5,576
Balance as August 31, 2022	\$ 100,531	\$ 15,684	\$ 15,000	\$ 525,555	\$ 1,250	\$ 21,432	\$679,452
Net Carrying Amounts							
As at May 31, 2022	\$ 25,838	\$ -	\$ -	\$ 69,650	\$ -	\$ 26,289	\$121,777
As at August 31, 2022	\$ 22,673	\$ -	\$ -	\$ 79,298	\$ -	\$ 26,289	\$128,260

Nerds on Site Inc.

Notes to the condensed interim consolidated financial statements
For the three months ended August 31, 2022 and 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 three months ended August 31, 2022, total interest expense recorded under selling, general and administrative expenses was \$2,612 (2021: \$ 1,691). 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 \$228,322 and \$250,165 at August 31, 2022 and May 31, 2022, 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>August 31,</u> <u>2022</u>	<u>May 31,</u> <u>2022</u>
<i>Current portion</i>		
BDC Loans	\$ 11,620	\$ 16,600
Vehicle loans	<u>12,801</u>	<u>10,006</u>
	<u>24,421</u>	<u>26,606</u>
<i>Non-current portion</i>		
BDC Loans	-	-
Vehicle loans	27,328	19,283
CEBA loan	<u>38,276</u>	<u>37,826</u>
	<u>65,604</u>	<u>57,109</u>
	<u>\$ 90,025</u>	<u>\$ 83,715</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 2021 and 2020, 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.

In connection to the outbreak of COVID-19, the Company received \$60,000 in Canada Emergency Business Account ("CEBA") loans from the government of Canada. These CEBA loans are non-interest bearing and mature on December 31, 2023. The loan can be extended to December 31, 2025 and 25% will be forgiven if the principal is repaid before the initial maturity date. The Company has recognized the forgiveness in the year ended May 31, 2021 as the Company intends, with reasonable assurance, to repay the CEBA loans prior to the initial maturity date.

Nerds on Site Inc.

Notes to the condensed interim consolidated financial statements
For the three months ended August 31, 2022 and 2021
(in Canadian dollars)
(Unaudited)

7. Loans payable (Cont'd)

As at August 31, 2022, the Company has not made a payment on the CEBA loans. The CEBA loans have been discounted using an incremental borrowing rate of 10%. The expense recovery from discounting the CEBA loans was recorded under selling, general and administrative. The reconciliation of the CEBA loans is as follows:

Loan funds	\$	60,000
Discounting		(28,512)
Accrued finance expense		2,900
Balance, May 31, 2021		34,388
Accrued finance expense		3,438
Balance, May 31, 2022		37,826
Accrued finance expense		450
Balance August 31, 2022	\$	38,276

Interest expense incurred for the three- month periods ended August 31, 2022 was \$750 (August 31, 2021: \$941)

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 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, 2022, \$69,479 of dividends remain unpaid (May 31, 2021: \$69,479). 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.

In March 2021, the Company received cash for \$100,000 for the exercise of 400,000 warrants at \$0.25 per share. Accordingly, \$27,296 was transferred from warrant reserve to share capital.

In March 2021, the Company issued 2,798,059 shares valued at \$0.13 per share as compensation for services. The shares are issued at market price.

Nerds on Site Inc.

Notes to the condensed interim consolidated financial statements
For the three months ended August 31, 2022 and 2021
(in Canadian dollars)
(Unaudited)

8. Preferred shares liability and Common stock (Cont'd)

As at August 31, 2022 and May 31, 2022, the Company had the following number of shares outstanding:

Description	August 31, 2022	May 31, 2022
Common A Shares	89,411,115	89,411,115
Class A Preferred Shares	-	-
Class B Preferred Shares	1,000,000	1,000,000

9. Related party balances and transactions

Amounts due from related parties as at August 31, 2022 and May 31, 2022 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. The carrying values of the related party balances were as follows:

	August 31, 2022	May 31, 2022
<i>Current portion</i>		
Ready Aim Fire Enterprising Inc. (a) and (b)	\$ 115,257	122,605
Nerds On-Site South Africa (b)	35,083	33,883
Adam Networks Inc. (a) and (b)	249,170	233,052
	<u>\$ 399,510</u>	<u>389,540</u>
<i>Non-current portion</i>		
Ready Aim Fire Enterprising Inc. (a) and (b)	\$ 199,200	223,901
Nerds On-Site South Africa (b)	61,793	71,163
Adam Networks Inc. (a) and (b)	22,040	48,124
Other related parties (b)	(22,060)	22,064
	<u>\$ 260,973</u>	<u>365,252</u>

(a) via same key management personnel
(b) by virtue of common control

Nerds on Site Inc.

Notes to the condensed interim consolidated financial statements
For the three months ended August 31, 2022 and 2021
(in Canadian dollars)
(Unaudited)

9. Related party balances and transactions (Continued)

The Company recorded revenue from the following related parties during the three months ended August 31, 2022 and 2021:

	Ready Aim Fire Enterprising Inc. (\$)	Adam Networks Inc (\$)	Nerds On Site South Africa (\$)	Total (\$)
Three months ended August 31, 2022	20,680 (a)	8,034 (b)	2,448 (c)	31,162
Three months ended August 31, 2021	22,344 (a)	12,366 (b)	3,190 (c)	37,900

(a) includes interest on receivables for \$8,859 (August 31, 2021: \$11,546)

(b) includes interest on receivables for \$ 8,034 (August 31, 2021 : \$12,366)

(c) includes interest on receivables for \$2,448 (August 31, 2021: \$3,190)

As of August 31, 2022, the Company has a payable for \$200,242 to a related party (May 31, 2022: \$159,242). Interest payable at 10% pa was \$4,397 for the three months ended August 31, 2022 (August 31, 2021: \$ 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 August 31, 2022		For the three month period ended August 31, 2021	
Salaries and benefits, including bonuses	\$	90,090	\$	90,090
Directors fees	\$	25,000	\$	33,367
Total	\$	115,090	\$	123,457

Nerds on Site Inc.

Notes to the condensed interim consolidated financial statements
For the three months ended August 31, 2022 and 2021
(in Canadian dollars)
(Unaudited)

10. Selling, general and administrative expenses

The Company has the following breakdown of selling, general and administrative expenses for the three-months ended August 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
	\$	\$
Programming and related costs	221,577	237,191
Management remuneration	115,090	123,457
Office and administrative expenses	159,062	168,656
Payroll and related costs	78,783	79,955
Legal and professional	37,201	37,915
Advertising and promotion	30,697	21,490
Bank and interest charges	50,437	60,079
Business development	78,950	79,057
Communication	74,419	72,873
Automobile expenses	15,642	17,287
	861,858	897,960

11. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities as of August 31, 2022 and May 31, 2022 constitutes the following:

	<u>August 31, 2022</u>	<u>May 31, 2022</u>
	\$	\$
Accounts payable	607,939	430,267
Accrued liabilities	385,441	363,082
Wages payable	17,462	19,452
Subcontractor payable	53,951	31,275
Others	19,796	13,204
	1,084,589	857,280

Nerds on Site Inc.

Notes to the condensed interim consolidated financial statements
For the three months ended August 31, 2022 and 2021
(in Canadian dollars)
(Unaudited)

12. 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 year	(29,387)
Balance, May 31, 2021	176,679
Amortization during the year	(25,145)
Balance, May 31, 2022	151,534
Amortization during the period	(4,904)
Balance, August 31, 2022	146,630

Right-of-use asset includes prepayments and leases for vehicles and office space amortized over their period of lease.

Nerds on Site Inc.

Notes to the condensed interim consolidated financial statements
For the three months ended August 31, 2022 and 2021
(in Canadian dollars)
(Unaudited)

13. 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	19,424
Lease payments made during the period	(42,310)
Balance May 31, 2021	186,516
Accretion on lease obligation	17,800
Lease payments made during the period	(37,426)
Balance May 31, 2022	166,890
Accretion on lease obligation	4,166
Lease payments made during the period	(7,803)
Balance August 31, 2022	163,253
Less than one year	18,067
Greater than one year	145,186
Total lease obligation	163,253

14. Revenue

Details of revenue for the three months ended August 31, 2022 and 2021:

	2022	2021
	\$	\$
Service fees	1,211,821	1,203,656
Product sales (Sale of software, hardware and related)	1,332,624	1,364,856
Miscellaneous fee	2,107	-
	2,546,552	2,568,512

Nerds on Site Inc.

Notes to the condensed interim consolidated financial statements
For the three months ended August 31, 2022 and 2021
(in Canadian dollars)
(Unaudited)

15. Inventory

The Company had \$102,999 and \$141,461 of finished goods inventory purchased for resale as at August 31, 2022 and May 31, 2022, respectively. The value of the inventory is equivalent to lower of cost or market value as of the reporting dates above.

16. 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 August 31, 2022, the Company's revenue comprises 93% sales in Canada and 7% sales within USA. (August 31, 2021: 92% sales in Canada and 8% sales within USA.).

As of August 31, 2022, all assets of the business are located in Canada except for cash of \$40,580 (May 31, 2022: \$31,926), accounts receivable of \$46,999 (May 31, 2022: \$59,225) and vehicles of \$58,405 (May 31, 2022: \$58,405) which are located in USA.

17. Warrants

The following table reflects the continuity of warrants for the period ended August 31, 2022 and year ended May 31, 2022:

	Number of warrants outstanding and exercisable #	Weighted average exercise prices \$	Weighted average remaining contractual life Years
Balance at May 31, 2019 & May 31, 2020	22,971,727	0.41	0.69
Expired warrants	(6,759,915)	0.70	-
Expired warrants	(1,081,586)	0.35	-
Expired warrants	(11,894,226)	0.30	-
Exercised warrants (Note 10)	(400,000)	0.25	-
Balance at May 31, 2021	2,836,000	0.25	0.76
Expired warrants	(2,836,000)	0.25	-
Balance at May 31, 2022 and August 31, 2022	-	-	-

Nerds on Site Inc.

Notes to the condensed interim consolidated financial statements
For the three months ended August 31, 2022 and 2021
(in Canadian dollars)
(Unaudited)

18. Share-based compensation

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

The Company did not issue any stock options during the period ended August 31, 2022.

During the year ended May 31, 2021, the Company issued 4,000,000 stock options. Each option entitles the holder to purchase one common stock of the Company. None of the options issued have been exercised.

The continuity of stock options are as follows:

	Number of Options	Weighted Avg Exercise Price (CDN\$)
Balance at May 31, 2019 and May 31, 2020	2,450,000	0.42
Stock options issued during the year	4,000,000	0.15
Stock options exercised during the year	-	-
Stock options expired during the year	(2,450,000)	0.42
Balance at May 31, 2021, May 31, 2022 and August 31, 2022	4,000,000	0.15

As at August 31, 2022, 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)
May 20, 2021	\$ 0.15	4,000,000	4,000,000	3.70

The Company granted 4,000,000 stock options during the year ended May 31, 2021, and recorded stock-based compensation expense for \$422,008 for the vesting of all options granted. The fair value of options granted during the year ended May 31, 2021 was estimated using the Black-Scholes option pricing model to determine the fair value of options granted using the following assumptions:

	May 20, 2021
Volatility	120%
Risk-free interest rate	0.94%
Expected life	5 year
Dividend yield	0%
Common stock price	\$0.13
Strike price	\$0.15
Forfeiture rate	nil
