NERDS ON SITE INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED MAY 31, 2023

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 September 27, 2023. 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 audited consolidated financial statements and the accompanying notes thereto for the year ended May 31, 2023. 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 consolidated audited financial statements 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.

All references in this MD&A to ''Fiscal 2023'' are to our fiscal year ended May 31, 2023, references to ''Fiscal 2022'' are to our fiscal year ended May 31, 2022, and references to ''Fiscal 2021'' are to our fiscal year ended May 31, 2021.

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.

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 sub-contractors ("Nerds") servicing on average 10,000 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.

The Company was classified an essential service business during this COVID 19 pandemic. As a truly mobile and remote service with almost no burden of office or real estate overhead, our business model has proven most effective during this global event. During fiscal 2022, the Company was impacted by delays in procurement of hardware because of supply chain disruptions which impacted the revenues for the year. The global COVID pandemic and, to a lesser extent, the war in Ukraine, have had a disruptive impact on technology supply chain, especially with Asian suppliers who have been the major component supply centre for most of the tech world. COVID triggered technology demand outpaced supply on many fronts. The Company has experienced some of this challenge. In response we have sourced several new suppliers to mitigate future such risks, even as the overall supply chain is returning steadily to pre covid levels.

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 the COVID-19 pandemic era, we had new safety protocols in place for our Nerds and clients, including enhanced on-site service safety procedures. We are also preparing to respond to the 350+% *increase in cybercrime activity and the resulting onslaught of monetization efforts of this criminal activity down the road. We are working on expanding our partnering efforts in the Risk Aversion and Cyber Insurance space to more fully serve business Clients and their business systems security needs.

Our efforts are focused on provisioning the SME marketplace with secure and productive environments for the evolving hybrid workplace. We are developing strategies to provide our existing and new clients with opportunities to increase productivity for the evolving hybrid workplace.

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 for our Cyber Security focused NOS services indeed!

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

COMPANY HIGHLIGHTS

- **Revenue** for the year ended May 31, 2023, was $10,525,920 as compared to $9,629,945 for the year ended May 31, 2022. Revenue increased by $895,975 or 9.3% as compared to prior year. The increase in revenue was due to the resolution of delay in procurement of hardware products and supply chain disruptions, which caused decline in both product and service revenues during the prior year.

- **Gross profit** for the year ended May 31, 2023, was $2,755,454 as compared to $2,534,587 for the year ended May 31, 2022. Gross margin for 2023 was 26% remain flat as compared to 26% for 2022.

- **Selling, general and administrative expenses** for the year ended May 31, 2023, was $3,444,217 as compared to $3,469,802 for year ended May 31, 2022, a reduction of $25,585 or 1%. As a % of revenue, this expense was 32.7% for 2023 as compared to 36% for 2022.

- **Cash used in operating activities** was $429,236 for the year ended May 31, 2023, compared to $825,504 for the year ended May 31, 2022. The reduction in the outflow of cash in operations for $396,268 was primarily a result of reduction in net loss to $743,552 in 2023 as compared to $932,829 in 2022 and changes in working capital of $214,448 in 2023 as compared to $106,623 in 2022.

- **Net loss** for the year ended May 31, 2023, was $743,552 as compared to $932,829 for the year ended May 31, 2022, a decrease of $189,277 or 20%. This is in line with the Company's improvement in revenue and cost reduction strategy.

- **Loss per share - basic and diluted** was $0.0083 for the year ended May 31, 2023, as compared to $0. 0104 for the year ended May 31, 2022, a reduction in loss per share by 20%.

Fundraising

On November 26, 2018, the Company completed its initial public offering ("IPO") of 13,519,830 units ("Units"), each Unit consisting of one common share in the capital of the Company ("Common Shares") and one half (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.

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.

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

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 year may not contribute significantly to current year's revenue. As an example, a new customer who enters into an agreement on the last day of a year will have no impact on the revenue recognized in that year.

	Canada			
Period	Residential Customers	Business Customers	Residential recurring revenues	Business recurring revenues
	#	#	CAD $	CAD $
June 1, 2022 to May 31, 2023	3,910	2,422	1,036,816	8,168,010
June 1, 2021 to May 31, 2022	4,098	2,514	956,487	7,663,783
	USA			
	#	#	US $	US $
June 1, 2022 to May 31, 2023	233	215	65,755	499,482
June 1, 2021 to May 31, 2022	143	197	45,874	342,479

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

The Company recognizes revenue when its performance obligations are satisfied. The Company has evaluated its revenue streams and major contracts with customers using the IFRS 15 5-step process to determine when to recognize revenue:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations.
5. Recognizing revenue when/as performance obligations are satisfied.

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 services 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

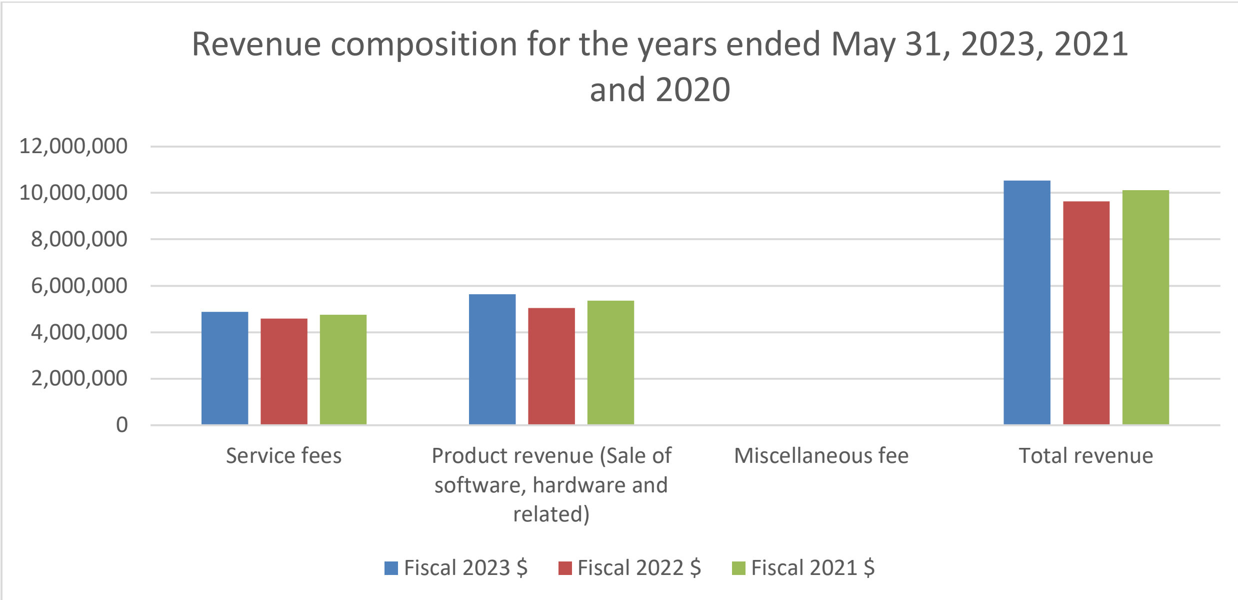
	2023	2022	2021
	$	$	$
Total Revenue	**10,525,920**	9,629,945	10,121,480
Gross Profit	**2,755,454**	2,534,587	2,627,954
Operating Expenses	**3,526,509**	3,576,252	4,052,563
Operating loss	**(771,055)**	(1,041,665)	(1,424,609)
Net loss	**(743,552)**	(932,829)	(1,387,768)
Loss per share - Basic and Diluted	**(0.0083)**	(0.0104)	(0.0161)
Total Assets	**1,239,147**	1,676,156	2,336,492
Total Liabilities	**2,225,979**	1,864,910	1,592,417
Cash flows used in operating activities	**(429,236)**	(825,504)	(289,860)
Cash flows used in investing activities	**(13,316)**	(27,132)	(8,916)
Cash flows from financing activities	**424,408**	741,440	372,638

Discussion of Operations-Years ended May 31, 2023, 2022 and 2021

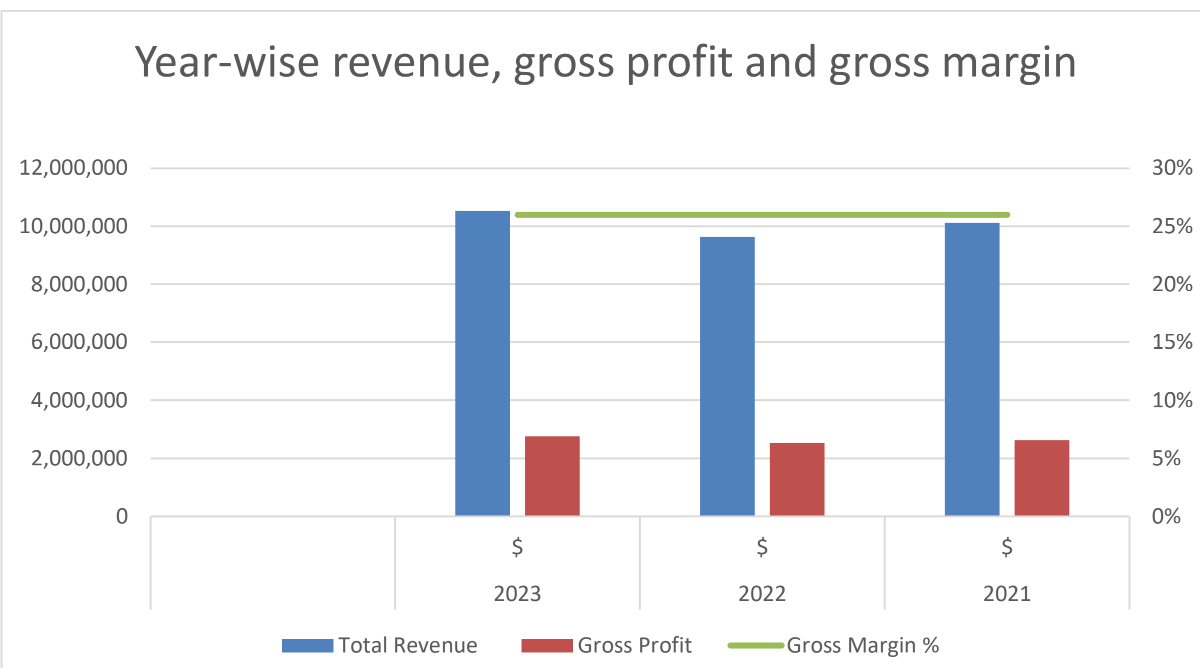
Revenue

The Company has a single reportable segment for managed IT consulting services. We recorded total revenue of $10,525,920 in Fiscal 2023, $9,629,945 in Fiscal 2022 and $10,121,480 for Fiscal 2021. Revenue increased by $895,975 or 9.3% in 2023 as compared to 2022.

Details of revenue			
	Fiscal 2023	Fiscal 2022	Fiscal 2021
	$	$	$
Service fees	**4,872,346**	4,582,194	4,750,883
Product revenue (Sale of software, hardware and related)	**5,639,612**	5,045,719	5,356,216
Miscellaneous fee	**13,962**	2,032	14,381
Total revenue	**10,525,920**	9,629,945	10,121,480



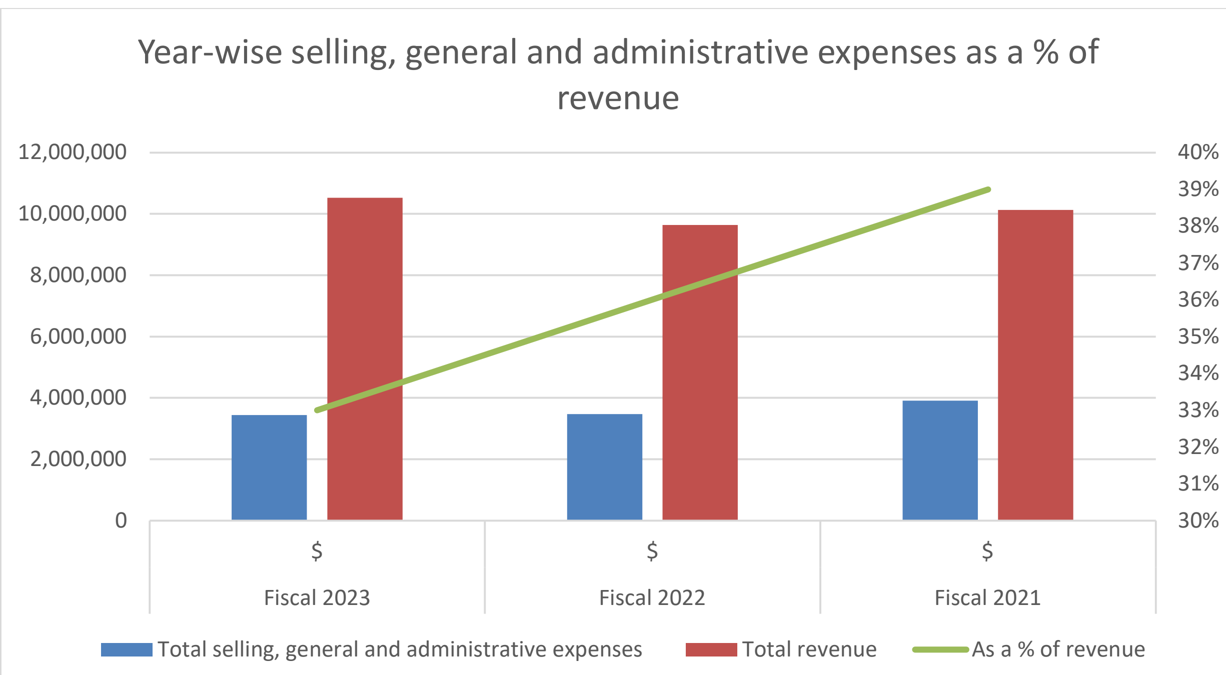
Gross profits and gross margins			
	Fiscal 2023	Fiscal 2022	Fiscal 2021
	$	$	$
Total Revenue	**10,525,920**	9,629,945	10,121,480
Gross Profit	**2,755,454**	2,534,587	2,627,954
Gross Margin %	**26%**	26%	26%



The Company has the following breakdown of selling, general and administrative expenses for the years ended May 31, 2023, 2022 and 2021:

	2023	2022	2021
	$	$	$
Programming and related costs	**962,077**	902,740	806,589
Office and administrative expenses	**507,660**	482,545	499,184
Business development	**344,956**	343,877	366,337
Advertising and promotion	**89,102**	94,606	132,368
Management remuneration	**437,455**	485,383	1,089,341
Legal and professional	**238,074**	248,505	178,169
Payroll and related costs	**308,708**	325,069	283,629
Communication	**296,519**	299,239	250,501
Bank and interest charges	**208,503**	229,253	230,116
Automobile expenses	**51,163**	58,585	69,840
	3,444,217	3,469,802	3,906,074

Selling, general and administrative expenses			
	Fiscal 2023	Fiscal 2022	Fiscal 2021
	$	$	$
Total selling, general and administrative expenses	**3,444,217**	3,469,802	3,906,074
Total revenue	**10,525,920**	9,629,945	10,121,480
As a % of revenue	**33%**	36%	39%



Selling, general and administrative expenses have seen a decline of a total of $25,585 in 2023 as compared to 2022 and a decline of $436,272 in 2022 as compared to 2021.

Our operating loss was $771,055 in fiscal 2023 as compared to operating loss of $1,041,665 in fiscal 2022. In addition to selling, general and administrative expenses as noted above, the other major drivers for our annual operating losses in 2023 and 2022 is the depreciation of property and equipment for $62,676 and $81,305 in 2023 and 2022 respectively and the amortization of right-of-use assets for $19,616 in 2023 and $25,145 in 2022 on the adoption of IFRS 16.

The following table summarizes financial information for the three months ended May 31, 2023, and the preceding seven quarters:

	Q4 2023	**Q3 2023**	**Q2 2023**	**Q1 2023**	**Q4 2022**	**Q3 2022**	**Q2 2022**	**Q1 2022**
	$	$	$	$	$	$	$	$
Revenues	2,886,824	2,687,987	2,404,557	2,546,552	2,368,083	2,445,540	2,247,810	2,568,512
Cost of sales	2,233,570	1,939,092	1,748,537	1,849,267	1,711,858	1,792,704	1,687,603	1,903,193
Gross profit	653,254	748,895	656,020	697,285	656,225	652,836	560,207	665,319
Gross margin	23%	28%	27%	27%	28%	27%	25%	26%
Net loss	(204,697)	(87,028)	(283,197)	(168,630)	(186,173)	(203,465)	(327,708)	(215,483)
Loss per share, basic and fully diluted	(0.0023)	(0.0010)	(0.0032)	(0.0019)	(0.0021)	(0.0023)	(0.0037)	(0.0024)
Total assets	1,239,147	1,370,406	1,661,479	1,705,901	1,676,156	1,842,820	1,954,891	2,102,736
Total liabilities	2,225,979	2,098,015	2,302,060	2,063,285	1,864,910	1,845,401	1,754,007	1,574,144
Shareholders' equity (deficiency)	(986,832)	(727,609)	(640,581)	(357,384)	(188,754)	(2,581)	200,884	528,592
Cash dividends for common shares	-	-	-	-	-	-	-	-

Key balance sheet items			
	Fiscal 2023	Fiscal 2022	Fiscal 2021
	$	$	$
Total Assets	**1,239,147**	1,676,156	2,336,492
Total Liabilities	**2,225,979**	1,864,910	1,592,417
Cash dividends declared for common shares	**$nil**	$nil	$nil

In Fiscal 2023, 2022 and 2021, the Company did not raise any cash from private placements and focussed on increase in revenue and monitoring of operating costs.

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			
	Fiscal 2023	Fiscal 2022	Fiscal 2021
	$	$	$
Accounts receivables (net)	**275,585**	180,104	132,454
Days sales outstanding ("DSO")	**10 days**	7 days	5 days

We have a diverse group of customers, not one of which represents greater than 10% of the total receivables balance.

Accounts payable and accrued liabilities			
	Fiscal 2023	Fiscal 2022	Fiscal 2021
	$	$	$
Accounts payable	**538,020**	430,267	346,095
Accrued liabilities	**524,171**	363,082	335,275
Wages payable	**18,542**	19,452	15,216
Subcontractor payable	**39,028**	31,275	26,666
Others	**51,285**	13,204	25,860
Total	**1,171,046**	857,280	749,112

Preferred Shares

On January 27, 2015, the Company issued 1,000,000 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 Preferred 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 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 $500,000 of the Class A Preferred shares and during the year ended May 31, 2018, the Company redeemed additional $30,000 of the Class A Preferred shares. During the year ended May 31, 2019, the Company redeemed the balance of $470,000 of Class A Preferred Shares.

Contract liabilities			
	Fiscal 2023	Fiscal 2022	Fiscal 2021
	$	$	$
Contract liabilities	**253,286**	278,039	369,763

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

Liquidity and capital resources			
	Fiscal 2023	Fiscal 2022	Fiscal 2021
	$	$	$
Cash and cash equivalents	**206,789**	279,459	390,655

The Company's primary revenues have come from its sale of software, hardware and consulting services. The Company has also increased liquidity through equity and debt financing at various times in its history. The Company has successfully raised $2.8 Million by issue of convertible debt in fiscal 2018 and gross of $4.7 Million in Units in fiscal 2019.

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

Cash-Flow			
	Fiscal 2023	Fiscal 2022	Fiscal 2021
	$	$	$
Operating activities	**(429,236)**	(825,504)	(289,860)
Investing activities	**(13,316)**	(27,132)	(8,916)
Financing activities	**424,408**	741,440	372,638
Effects of foreign currency exchange rate changes	**(54,526)**	-	-
Increase (decrease) in cash	**(18,144)**	(111,196)	73,862
Cash beginning of period/year	**279,459**	390,655	316,793
Cash end of period/year	**206,789**	279,459	390,655

Net cash used in operating activities

Cash used in operations for Fiscal 2023 was $429,236 compared to cash used in operations for Fiscal 2022 of $825,504. The reduction of cash used in operations for $396,268 was primarily a result of reduction in net loss to $743,552 in 2023 as compared to $932,829 in 2022 and changes in working capital of $214,448 in 2023 as compared to $106,623 in 2022.

Net cash used in investing activities

Cash outflow from investing activities was $13,316 in Fiscal 2023 as compared to cash outflow of $27,132 in Fiscal 2022. During Fiscal 2023 and 2022, the outflow of cash related to acquisition of property and equipment.

Net cash from financing activities

Net cash from financing activities in Fiscal 2023 was $424,408 as compared to $741,440 in Fiscal 2022. The primary driver was the repayments received from related parties for $369,928 in Fiscal 2023 as compared to $506,629 in Fiscal 2022, in addition to funding of $205,508 and $159,242 during Fiscal 2023 and Fiscal 2022, respectively, from related parties.

As of May 31, 2023, the Company has a working capital deficiency of $836,848

As of May 31, 2022, the Company has a working capital deficiency of $621,585

As of May 31, 2021, the Company has a working capital deficiency of $280,903

The following constitutes the current assets and current liabilities as of May 31, 2023:

ASSETS		
CURRENT		
Cash	$	206,789
Accounts receivable (net)		275,585
Inventory		122,647
Prepaid expenses and other current assets		44,927
Current portion of due from related parties		222,659
		872,607
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$	1,171,046
Contract liabilities		253,286
Bank debt		145,804
Preferred shares		100
Dividend payable		69,479
Due to related parties		-
Current portion of lease liabilities		16,690
Current portion of loans payable		13,754
CEBA loan		39,296
		1,709,455

The following constitutes the current assets and current liabilities as of May 31, 2022:

ASSETS		
CURRENT		
Cash	$	279,459
Accounts receivable (net)		180,104
Inventory		141,461
Prepaid expenses and other current assets		47,029
Current portion of due from related parties		389,540
		1,037,593
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$	857,280
Contract liabilities		278,039
Bank debt		250,165
Preferred shares		100
Dividend payable		69,479
Due to related parties		159,242
Current portion of lease liabilities		18,267
Current portion of loans payable		26,606
		1,659,178

The following constitutes the current assets and current liabilities as of May 31, 2021:

ASSETS		
CURRENT		
Cash	$	390,655
Accounts receivable (net)		132,454
Inventory		69,820
Prepaid expenses and other current assets		129,513
Current portion of due from related parties		357,131
		1,079,573
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$	749,112
Contract liabilities		369,763
Bank debt		127,489
Preferred shares		100
Dividend payable		69,479
Current portion of lease liabilities		18,650
Current portion of loans payable		25,883
		1,360,476

Contractual Obligations

The aggregate amount of principal payments required in each of the next 4 years to meet the retirement provisions of loans payable are as follows:

Fiscal year		Principal
2024		13,754
2025		10,518
2026		5,507
2027		655
	$	30,434

As at May 31, 2023, the Company has a $60,000 interest-free loan from the Government of Canada under the Canada Emergency Business Account ("CEBA") program to cover its operating costs. The term loan matures on December 31, 2026. Repaying the entire balance of the loan on or before January 18, 2024, will result in a loan forgiveness of $20,000. Effective January 19, 2024, any outstanding balance unpaid on the term loan shall bear interest at a rate of 5% per annum. 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 on or before January 18, 2024.

As at May 31, 2023, the Company has not made any 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:

Balance, May 31, 2021	$	34,388
Accrued finance expense		3,438
Balance, May 31, 2022		37,826
Accrued finance expense		1,470
Balance, May 31, 2023	$	39,296

The carrying values of our loan payable are as follows:

		May 31, 2023		May 31, 2022
Current portion				
BDC Loans	**$**	**-**	$	16,600
Vehicle loans		**13,754**		10,006
CEBA loan		**39,296**		-
		53,050		26,606
Non-current portion				
Vehicle loans		**16,680**		19,283
CEBA loan		**-**		37,826
		16,680		57,109
	$	**69,730**	$	83,715

In addition, 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 (6.7% at May 31, 2023) plus 2.25% and repayment is due on demand. 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 $145,804 and $250,165 on May 31, 2023 and May 31, 2022, respectively, and is presented as a current liability in the consolidated statements of financial position.

	Payments Due by Period				
Contractual Obligations	**Total**	**Less than 1 Year**	**1 – 3 Years**	**4 – 5 Years**	**After 5 Years**
Loans Obligation	70,434	53,754	16,680	Nil	Nil
Purchase Obligations	Nil	Nil	Nil	Nil	Nil

Off-balance sheet arrangement

The Company has no off-balance sheet arrangement as of May 31, 2023 and May 31, 2022.

Transactions with related parties

Amounts due from related parties as at May 31, 2023 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:

		May 31, 2023	May 31, 2022
Current portion			
Ready Aim Fire Enterprising Inc. (a) and (b)	$	134,865	122,605
Nerds On-Site South Africa (b)		37,272	33,883
Adam Networks Inc. (a) and (b)		31,491	233,052
Other related parties (b)		19,031	-
	$	222,659	389,540
Non-current portion			
Ready Aim Fire Enterprising Inc. (a) and (b)	$	107,593	223,901
Nerds On-Site South Africa (b)		54,612	71,163
Adam Networks Inc. (a) and (b)		-	48,124
Other related parties (b)		-	22,064
	$	162,205	365,252

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

The Company has executed agreements with the above related parties. Salient features of these agreements are as follows:

a) The Company made a loan to Ready Aim Fire Services Inc. with the principal amount of $613,714, commencing on April 1, 2020, with the maturity date of March 1, 2025. The principal amount plus interest is payable in monthly installments along with interest at 10% per annum. Early repayment is possible without charge.

b) The Company made a loan to Adam Networks Inc. with the principal amount of $1,061,436, commencing on February 1, 2019, with the maturity date of February 1, 2024. The principal amount plus interest is payable in monthly installments along with interest at 10% per annum. Early repayment is possible without charge.

c) The Company made a loan to Nerds On Site South Africa with the principal amount of $168,265, commencing on April 1, 2020, with the maturity date of April 1, 2025. The principal amount plus interest is payable in monthly installments along with interest at 10% per annum. Early repayment is possible without charge.

The Company recorded revenue from the following related parties during the years ended May 31, 2023, 2022 and 2021:

	Ready Aim Fire Enterprising Inc. ($) (a)	Adam Networks Inc ($) (b)	Nerds On Site South Africa ($) (c)	Total ($)
Year ended May 31, 2023	79,611	25,214	16,391	121,216
Year ended May 31, 2022	86,477	43,074	19,472	149,023
Year ended May 31, 2021	94,602	59,566	38,703	192,871

(a) includes interest on receivables for $31,087, $42,233 and $52,366 for the years ended May 31, 2023, 2022 and 2021 respectively
(b) includes interest on receivables for $25,214, $43,074 and $59,566 for the years ended May 31, 2023, 2022 and 2021 respectively.
(c) includes interest on receivables for $8,591, $11,672 and $14,472 for the years ended May 31, 2023, 2022 and 2021 respectively.

As of May 31, 2023, the Company has a payable for $364,750 to related parties (May 31, 2022: $159,242). This amount includes interest for $24,264 (May 31, 2022: $742) which is calculated at 10% pa.

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

	2023	2022	2021*
	$	$	$
Salaries and benefits, including bonuses	341,880	360,360	360,360
Shares issued as compensation for services	-	-	177,458
Directors' fees	95,575	125,023	129,515
Stock-based compensation	-	-	422,008
	437,455	485,383	1,089,341

*On May 20, 2021, the Company issued 4,000,000 options to directors and officers. The Black-Scholes option pricing model was used to determine the fair value of these options valued at $422,008 using the following assumptions: Expected dividend yield of 0%; risk free interest rate of 0.94%; expected volatility of 120%; expected life of 5 years; grant date share price of $0.13 and exercise price of $0.15.

*On May 20, 2021, the Company issued a total of 2,798,059 compensation shares for services which included 1,341,241 shares fair valued at $174,361 to the CEO and 23,819 shares fair valued at $3,097 to a director.

Outstanding Share Data

Authorized: Unlimited number of common shares

Authorized: Unlimited number of Class A preferred shares, non- voting, redeemable, with cumulative dividends and Class B preferred shares, voting, redeemable, with non-cumulative dividends and 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 one investor in exchange for $1,000,000. Effective with the stock split on October 3, 2017, these 1,000,000 Common shares outstanding were adjusted to 5,000,000 Common shares outstanding. The Class A Preferred 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, 2023, $69,479 of dividends remain unpaid (May 31, 2022: $69,479). 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.

As at May 31, 2023 and 2022, the Company had the following number of shares outstanding post- split adjustment:

Description	**May 31, 2023**	**May 31, 2022**
Common Shares	89,411,115	89,411,115
Class A Preferred Shares	-	-
Class B Preferred Shares	1,000,000	1,000,000

As of the date of this report, the Company had 89,411,115 Common A Shares and 1,000,000 Class B Preferred Shares.

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. The maximum credit exposure at May 31, 2023 is the carrying amount of cash, accounts receivable and due from related parties.

The following default rates are used to calculate the ECLs on billed receivables as at May 31, 2023:

	Total	Current	Over 30 days	Over 60 days	Over 90 days
Default rates (%)		0.48%	9.00%	23.54%	39.71%
Trade receivables ($)	363,340	183,894	4,994	6,139	168,313
Provision for ECL ($)	**69,614**	**883**	**449**	**1,445**	**66,837**

Provision for expected credit losses, as above	$	69,614
Add: additional specific identification		18,141
Total expected credit losses	**$**	**87,755**

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.

As at May 31, 2023 and 2022, the Company was exposed to currency risk for its US dollar equivalent of financial assets and liabilities denominated in currencies other than Canadian dollars as follows:

	Held in US dollars (stated in Canadian dollars)	
	May 31, 2023	**May 31, 2022**
Cash	$ 33,443	$ 31,926
Accounts receivable	72,754	55,267
Inventory	7,240	5,697
Accounts payable and accrued liabilities	(92,356)	(41,459)
Net financial assets	**$ 21,081**	**$ 51,431**

Based upon the above net exposure as at May 31, 2023, an 8% depreciation or appreciation of the US dollar relative to the Canadian dollar would result in approximately $1,686 (May 31, 2022 - $4,114) change in the Company's consolidated net loss and comprehensive loss.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty raising liquid funds to meet commitments as they fall due. The Company manages liquidity risk by maintaining adequate cash balances and borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. The following table gives the Company's financial liabilities and contractual maturities as follows:

		<1 year	*1-2 years*	*>3 years*		***Total***
Accounts payable and accrued liabilities	$	1,171,046	-	-	**$**	1,171,046
Bank debt		145,804	-	-		145,804
Due to related party		-	364,750	-		364,750
Dividend payable		69,479	-	-		69,479
Loans		13,754	16,680	-		30,434
Lease liability		16,690	18,435	116,659		151,784

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.

Financial instruments

Financial assets and liabilities are measured at initial recognition at fair value and are classified and subsequently measured at fair value through profit or loss ("FVTPL"), fair value through other comprehensive income ("FVOCI") or amortized cost ("AMC"), based on the business model and its contractual cash flow characteristics.

Adoption of IFRS 16 Leases

Effective June 1, 2019 (hereafter referred to as the "date of initial application"), the Company adopted IFRS 16 Leases as issued by the IASB in January 2016. The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases for both the lessee and lessor. The standard supersedes the requirements in IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC 15 Operating Leases – Incentives, and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The Company's incremental borrowing rate is used to estimate the initial value of the lease liability and associated right of use asset. The Company's incremental borrowing rate is determined with reference to the borrowing rate for a similar asset within a country for a similar lease term.

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	5 years
Vehicles	5 years
Websites	3 years
Leasehold Improvement	Term of the 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 year ended May 31, 2023, the Company's revenue comprises 92% sales in Canada and 8% sales within USA. (May 31, 2022: 95% sales in Canada and 5% sales within USA).

As of May 31, 2023, all assets of the business are located in Canada except for cash of $33,443 (May 31, 2022: $31,926), accounts receivable of $72,754 (May 31, 2022: $59,225), inventory of $7,240 (May 31, 2022: $5,697) and vehicles of $16,206 (May 31, 2022: $58,405) which are located in USA. In addition, the Company has a receivable for $91,884 (May 31, 2022: $105,046) from a related party in South Africa.

Risks Related to Our Business and Industry

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 for the year ended May 31, 2023 and may have negative cash flow from operating activities in the future.

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

While the Corporation is expanding in 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.

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 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 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.