

Nerds on Site Inc.

Condensed interim consolidated financial statements

For the three months ended August 31, 2023 and 2022

(Unaudited - expressed in Canadian Dollars)

NERDS ON SITE INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED AUGUST 31, 2023 AND 2022

(Unaudited - Amounts expressed in Canadian Dollars)

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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, 2023 and May 31, 2023
(Unaudited – expressed in Canadian dollars)

	August 31, 2023 (unaudited)	May 31, 2023(audited)
ASSETS		
CURRENT		
Cash	\$ 215,065	\$ 206,789
Accounts receivable (net of expected credit losses) (Note 4)	224,188	275,585
Inventory (Note 15)	82,138	122,647
Prepaid expenses and other current assets	144,451	44,927
Current portion of due from related party (Note 9)	164,381	222,659
	<u>830,223</u>	<u>872,607</u>
NON-CURRENT		
Due from related parties (Note 9)	150,753	162,205
Right-of-use assets (Note 12)	127,014	131,918
Property and equipment (Note 5)	55,364	72,417
	<u>333,131</u>	<u>366,540</u>
TOTAL ASSETS	\$ 1,163,354	\$ 1,239,147
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 11)	\$ 1,205,103	\$ 1,171,046
Contract liabilities	290,664	253,286
Bank debt (Note 6)	166,251	145,804
Preferred shares (Note 8)	100	100
Dividend payable (Note 8)	69,479	69,479
Due to related party (Note 9)	39,698	-
Current portion of lease liabilities (Note 13)	17,108	16,690
Current portion of loans payable (Note 7)	13,530	13,754
CEBA loans (Note 7)	39,576	39,296
	<u>1,841,509</u>	<u>1,709,455</u>
NON-CURRENT		
Non-current portion of loans payable (Note 7)	13,558	16,680
Non-current portion of due to related parties (Note 9)	384,250	364,750
Non-current portion of lease liabilities (Note 13)	130,659	135,094
	<u>528,467</u>	<u>516,524</u>
TOTAL LIABILITIES	2,369,976	2,225,979
SHAREHOLDERS' DEFICIENCY		
Common stock (Note 8)	6,293,608	6,293,608
Reserve for options (Note 18)	422,008	422,008
Contributed surplus	2,575,889	2,575,889
Accumulated other comprehensive loss	(57,798)	(54,526)
Accumulated deficit	(10,440,329)	(10,223,811)
TOTAL SHAREHOLDERS' DEFICIENCY	(1,206,622)	(986,832)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY	\$ 1,163,354	\$ 1,239,147

Basis of presentation and going concern (Note 2)

Approved on behalf of the Board

<Charles Regan>
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, 2023 and 2022
(Unaudited – expressed in Canadian dollars)

	2023	2022
Revenue (Note 14)	\$ 2,456,166	\$ 2,546,552
Cost of revenue	<u>(1,804,997)</u>	<u>(1,849,267)</u>
Gross Profit	<u>651,169</u>	<u>697,285</u>
Expenses		
Selling, general and administrative (Note 10)	(840,427)	(861,858)
Depreciation of property and equipment (Note 5)	(19,255)	(5,576)
Amortization of right-of-use assets (Note 12)	(4,904)	(4,904)
Total operating expenses	<u>(864,586)</u>	<u>(872,338)</u>
Operating loss	(213,417)	(175,053)
Interest expense	(18,523)	(12,575)
Interest income	19,208	23,164
Accretion on lease liabilities (Note 13)	(3,786)	(4,166)
Loss before income taxes	(216,518)	(168,630)
Provision for income taxes	-	-
Net loss	<u>(216,518)</u>	<u>(168,630)</u>
Loss per share - Basic and Diluted	<u>\$ (0.0024)</u>	<u>\$ (0.0019)</u>
Weighted average number of common shares outstanding - Basic and Diluted	<u>89,411,115</u>	<u>89,411,115</u>
Net loss	(216,518)	(168,630)
Foreign currency translation adjustment	(3,272)	-
Comprehensive loss	<u>\$ (219,790)</u>	<u>\$ (168,630)</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' deficiency

For the three months ended August 31, 2023 and 2022

(in Canadian dollars)

	Shares #	Amount \$	Warrants reserve \$	Option reserve \$	Contributed surplus \$	Accumulated other comprehensive loss \$	Accumulated deficit \$	Total \$
Balance as at May 31, 2022	89,411,115	6,293,608		422,008	2,575,889	-	(9,480,259)	(188,754)
Net loss	-	-	-	-	-	-	(168,630)	(168,630)
Balance as at August 31, 2022	89,411,115	6,293,608	-	422,008	2,575,889	-	(9,648,889)	(357,384)
Balance as at May 31, 2023	89,411,115	6,293,608	-	422,008	2,575,889	(54,526)	(10,223,811)	(986,832)
Currency translation adjustment	-	-	-	-	-	(3,272)	-	(3,272)
Net loss	-	-	-	-	-	-	(216,518)	(216,518)
Balance as at August 31, 2023	89,411,115	6,293,608	-	422,008	2,575,889	(57,798)	(10,440,329)	(1,206,622)

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, 2023 and 2022
(Unaudited – expressed in Canadian dollars)

	2023	2022
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Net loss	\$ (216,518)	\$ (168,630)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation of property and equipment (Note 5)	19,255	5,576
Amortization on right-of-use asset (Note 12)	4,904	4,904
Accrued interest	280	450
Accretion on lease liabilities (Note 13)	3,786	4,166
Changes in working capital:		
Accounts receivable	51,397	(63,436)
Inventory	40,509	38,462
Prepaid expenses and other current assets	(99,524)	(77,465)
Accounts payable and accrued liabilities	34,057	227,309
Contract liabilities	37,378	(50,764)
Net cash used in operating activities	<u>(124,476)</u>	<u>(79,428)</u>
CASH FLOWS USED IN INVESTING ACTIVITIES		
Payments for acquisition of property and equipment (Note 5)	(2,202)	(12,059)
Net cash used in investing activities	<u>(2,202)</u>	<u>(12,059)</u>
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
(Repayments made on) advances from loans	(3,346)	5,860
(Repayments made on) advances from bank debt	20,447	(21,843)
Repayment of lease liabilities (Note 13)	(7,803)	(7,803)
Due to related party (Note 9)	59,198	41,000
Payments due from related parties (Note 9)	69,730	94,309
Net cash from financing activities	<u>138,226</u>	<u>111,523</u>
Effects of foreign currency exchange rate changes	(3,272)	---
NET INCREASE IN CASH AND CASH EQUIVALENTS	8,276	20,036
Cash and cash equivalents, beginning of period	<u>206,789</u>	<u>279,459</u>
Cash and cash equivalents, end of period	<u>\$ 215,065</u>	<u>\$ 299,495</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, 2023 and 2022
(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, 2023. 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 for the year ended May 31, 2023.

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, 2023.

These condensed interim consolidated financial statements were authorized for issue by the Board of Directors on October 27, 2023.

New accounting standards adopted

There were no new accounting standards adopted during the period that would have a significant effect on the Company's unaudited condensed consolidated interim financial statements.

New accounting 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.

Nerds on Site Inc.

Notes to the condensed interim consolidated financial statements
For the three months ended August 31, 2023 and 2022
(in Canadian dollars)
(Unaudited)

2. Basis of presentation (Cont'd)

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.

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.

Subsidiary is an entity 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 \$216,518 during the three months ended August 31, 2023, with a cumulative deficit of \$10,440,329 as at August 31, 2023 (May 31, 2023 - \$10,223,811). 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, 2023, the Company had current assets of \$830,223 (May 31, 2023 - \$872,607) to cover current liabilities of \$1,841,509 (May 31, 2023 - \$1,709,455).

Nerds on Site Inc.

Notes to the condensed interim consolidated financial statements
For the three months ended August 31, 2023 and 2022
(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 \$92,551 and \$87,755 for August 31, 2023 and May 31, 2023, respectively. Accounts receivable consist of amounts due from customers receiving IT consulting services and equipment. Total net accounts receivable amounted to \$224,188 and \$275,585 at August 31, 2023 and May 31, 2023 respectively.

5. Property and equipment

The following is a continuity of property and equipment as at August 31, 2023 and May 31, 2023:

	Computer Hardware	Computer Software	Furniture and Fixtures	Vehicles	Websites	Leasehold Improvement	Total
Cost							
Balance as at May 31, 2022	\$ 123,204	15,684	15,000	592,794	1,250	47,721	795,653
Additions	1,257	-	-	12,059	-	-	13,316
Disposals	-	-	-	(35,238)	-	-	(35,238)
Balance as at May 31, 2023	124,461	15,684	15,000	569,615	1,250	47,721	773,731
Additions	2,202	-	-	-	-	-	2,202
Disposals	-	-	-	-	-	-	-
Balance as at August 31, 2023	\$ 126,663	\$ 15,684	\$ 15,000	\$ 569,615	\$ 1,250	\$ 47,721	\$ 775,933
Accumulated Depreciation							
Balance as at May 31, 2022	\$ 97,366	15,684	15,000	523,144	1,250	21,432	673,876
Disposals	-	-	-	(35,238)	-	-	(35,238)
Depreciation	13,246	-	-	49,430	-	-	62,676
Balance as at May 31, 2023	110,612	15,684	15,000	537,336	1,250	21,432	701,314
Disposals	-	-	-	-	-	-	-
Depreciation	638	-	-	18,617	-	-	19,255
Balance as August 31, 2023	\$ 111,250	\$ 15,684	\$ 15,000	\$ 555,953	\$ 1,250	\$ 21,432	\$ 720,569
Net Carrying Amounts							
As at May 31, 2023	\$ 13,849	\$ -	\$ -	\$ 32,279	\$ -	\$ 26,289	\$ 72,417
As at August 31, 2023	\$ 15,413	\$ -	\$ -	\$ 13,662	\$ -	\$ 26,289	\$ 55,364

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Notes to the condensed interim consolidated financial statements
For the three months ended August 31, 2023 and 2022
(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 (7.2% at August 31, 2023) plus 2.25% and repayment is due on demand. During the three months ended August 31, 2023, total interest expense recorded under selling, general and administrative expenses was \$3,282 (2022: \$ 2,612). 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 \$166,251 and \$145,804 at August 31, 2023 and May 31, 2023, 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, 2023</u>	<u>May 31, 2023</u>
<i>Current portion</i>		
Vehicle loans	\$ 13,530	\$ 13,754
CEBA loans	39,576	39,296
	<u>53,106</u>	<u>53,050</u>
<i>Non-current portion</i>		
Vehicle loans	13,558	16,680
	<u>13,558</u>	<u>16,680</u>
	<u>\$ 66,664</u>	<u>\$ 69,730</u>

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 August 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, 2022	\$	37,826
Accrued finance expense		1,470
Balance, May 31, 2023		39,296
Accrued finance expense		280
Balance, August 31, 2023	\$	39,576

Interest expense incurred for the three- month periods ended August 31, 2023 was \$453 (August 31, 2023: \$750)

Nerds on Site Inc.

Notes to the condensed interim consolidated financial statements
For the three months ended August 31, 2023 and 2022
(in Canadian dollars)
(Unaudited)

8. Preferred shares liability and Common stock

The Company is authorized to issue an unlimited number of Class A preferred shares, non-voting, redeemable, with cumulative dividends and unlimited Class B preferred shares, voting, redeemable, with non-cumulative dividends and Common 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 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 August 31, 2023, \$69,479 of dividends remain unpaid (May 31, 2023: \$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 common shares valued at \$0.13 per share as compensation for services. The shares are issued at market price.

As at August 31, 2023 and May 31, 2023, the Company had the following number of shares outstanding:

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

Nerds on Site Inc.

Notes to the condensed interim consolidated financial statements
For the three months ended August 31, 2023 and 2022
(in Canadian dollars)
(Unaudited)

9. Related party balances and transactions

Amounts due from related parties as at August 31, 2023 and May 31, 2023 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, 2023	May 31, 2023
<i>Current portion</i>		
Ready Aim Fire Enterprising Inc. (a) and (b)	\$ 131,291	134,865
Nerds On-Site South Africa (b)	32,742	37,272
Adam Networks Inc. (a) and (b)	-	31,491
Other related parties (b)	348	19,031
	<u>\$ 164,381</u>	<u>222,659</u>
<i>Non-current portion</i>		
Ready Aim Fire Enterprising Inc. (a) and (b)	\$ 106,568	107,593
Nerds On-Site South Africa (b)	44,185	54,612
	<u>\$ 150,753</u>	<u>162,205</u>

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

The Company recorded revenue from the following related parties during the three months ended August 31, 2023 and 2022:

	Ready Aim Fire Enterprising Inc. (\$)	Adam Networks Inc (\$)	Nerds On Site South Africa (\$)	Total (\$)
Three months ended August 31, 2023	18,781 (a)	1,249 (b)	3,581 (c)	23,611
Three months ended August 31, 2022	20,680 (a)	8,034 (b)	2,448 (c)	31,162

- (a) includes interest on receivables for \$5,902 (August 31, 2022: \$8,859)
(b) includes interest on receivables for \$ 1,249 (August 31, 2022: \$8,034)
(c) includes interest on receivables for \$1,631 (August 31, 2022: \$2,448)

As of August 31, 2023, the Company has a payable for \$423,948 to a related party (May 31, 2023: \$364,750). This amount includes interest for \$ 11,673 which is calculated at 10% pa.

Nerds on Site Inc.

Notes to the condensed interim consolidated financial statements
For the three months ended August 31, 2023 and 2022
(in Canadian dollars)
(Unaudited)

9. Related party balances and transactions (Continued)

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, 2023		For the three month period ended August 31, 2022	
Salaries and benefits, including bonuses	\$	75,075	\$	90,090
Directors fees	\$	24,000	\$	25,000
Total	\$	99,075	\$	115,090

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, 2023 and 2022:

	2023	2022
	\$	\$
Programming and related costs	252,926	221,577
Management remuneration	99,075	115,090
Office and administrative expenses	99,306	159,062
Payroll and related costs	82,816	78,783
Legal and professional	55,249	37,201
Advertising and promotion	14,286	30,697
Bank and interest charges	53,099	50,437
Business development	102,955	78,950
Communication	67,918	74,419
Automobile expenses	12,797	15,642
	840,427	861,858

11. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities as of August 31, 2023 and May 31, 2023 constitutes the following:

	August 31, 2023	May 31, 2023
	\$	\$
Accounts payable	567,790	538,020
Accrued liabilities	527,578	524,171
Wages payable	20,457	18,542
Subcontractor payable	35,552	39,028
Others	53,726	51,285
	1,205,103	1,171,046

Nerds on Site Inc.

Notes to the condensed interim consolidated financial statements
For the three months ended August 31, 2023 and 2022
(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 year	(19,616)
Balance, May 31, 2023	131,918
Amortization during the period	(4,904)
Balance, August 31, 2023	127,014

Right-of-use assets include 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, 2023 and 2022
(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	16,106
Lease payments made during the period	(31,212)
Balance May 31, 2023	151,784
Accretion on lease obligation	3,786
Lease payments made during the period	(7,803)
Balance August 31, 2023	147,767
Less than one year	17,108
Greater than one year	130,659
Total lease obligation	147,767

14. Revenue

Details of revenue for the three months ended August 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
	\$	\$
Service fees	1,088,468	1,211,821
Product sales (Sale of software, hardware and related)	1,361,948	1,332,624
Miscellaneous fee	5,750	2,107
	<u>2,456,166</u>	<u>2,546,552</u>

Nerds on Site Inc.

Notes to the condensed interim consolidated financial statements
For the three months ended August 31, 2023 and 2022
(in Canadian dollars)
(Unaudited)

15. Inventory

The Company had \$82,138 and \$122,647 of finished goods inventory purchased for resale as at August 31, 2023 and May 31, 2023, 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, 2023, the Company's revenue comprises 94% sales in Canada and 6% sales within USA. (August 31, 2022: 93% sales in Canada and 7% sales within USA.).

As of August 31, 2023, all assets of the business are located in Canada except for cash of \$18,602 (May 31, 2023: \$33,443), accounts receivable of \$31,008 (May 31, 2023: \$72,754) and vehicles of \$nil (May 31, 2023: \$16,206) which are located in USA. In addition, the Company has a receivable for \$76,927 (May 31, 2023: \$91,884) from a related party in South Africa.

17. Warrants

The following table reflects the continuity of warrants for the period ended August 31, 2023 and year ended May 31, 2023:

	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, May 31, 2023 and August 31, 2023	-	-	-

Nerds on Site Inc.

Notes to the condensed interim consolidated financial statements
For the three months ended August 31, 2023 and 2022
(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, 2023 and year ended May 31, 2023.

During the year ended May 31, 2021, the Company issued 4,000,000 stock options, vested immediately. 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\$)
Outstanding 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
Outstanding Balance at May 31, 2021, May 31, 2022, May 31, 2023 and August 31, 2023	4,000,000	0.15

As at August 31, 2023, 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	2.70

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:

	<u>May 20, 2021</u>
Volatility	120%
Risk-free interest rate	0.94%
Expected life	5 years
Expected dividend yield	0%
Common stock price at grant date	\$0.13
Strike price	\$0.15
Forfeiture rate	nil
