

Nerds on Site Inc.

Condensed interim consolidated financial statements

For the three and nine months ended February 29, 2024, and February 28, 2023

(Unaudited - expressed in Canadian Dollars)

NERDS ON SITE INC.
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
THREE AND NINE MONTHS ENDED FEBRUARY 29, 2024 AND FEBRUARY 28, 2023
(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 February 29, 2024 and May 31, 2023
(Unaudited – expressed in Canadian dollars)

	February 29, 2024 (unaudited)	May 31, 2023(audited)
ASSETS		
CURRENT		
Cash	\$ 157,384	\$ 206,789
Accounts receivable (net of expected credit losses) (Note 4)	283,766	275,585
Inventory (Note 15)	83,344	122,647
Prepaid expenses and other current assets	74,075	44,927
Current portion of due from related party (Note 9)	164,708	222,659
	<u>763,277</u>	<u>872,607</u>
NON-CURRENT		
Non-current portion of due from related parties (Note 9)	121,990	162,205
Right-of-use assets (Note 12)	117,206	131,918
Property and equipment (Note 5)	45,644	72,417
	<u>284,840</u>	<u>366,540</u>
TOTAL ASSETS	<u>\$ 1,048,117</u>	<u>\$ 1,239,147</u>
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 11)	\$ 1,247,005	\$ 1,171,046
Contract liabilities	203,413	253,286
Bank debt (Note 6)	151,941	145,804
Preferred shares (Note 8)	100	100
Dividend payable (Note 8)	69,479	69,479
Current portion of due to related party (Note 9)	111,210	-
Current portion of lease liabilities (Note 13)	17,030	16,690
Current portion of loans payable (Note 7)	16,785	13,754
CEBA loans (Note 7)	-	39,296
	<u>1,816,973</u>	<u>1,709,455</u>
NON-CURRENT		
Non-current portion of loans payable (Note 7)	-	16,680
Non-current portion of due to related parties (Note 9)	508,450	364,750
Non-current portion of lease liabilities (Note 13)	122,703	135,094
	<u>631,153</u>	<u>516,524</u>
TOTAL LIABILITIES	<u>2,448,126</u>	<u>2,225,979</u>
SHAREHOLDERS' DEFICIENCY		
Common stock (Note 8)	6,293,608	6,293,608
Reserve for options	422,008	422,008
Contributed surplus	2,575,889	2,575,889
Accumulated other comprehensive loss	(67,195)	(54,526)
Accumulated deficit	(10,624,319)	(10,223,811)
TOTAL SHAREHOLDERS' DEFICIENCY	<u>(1,400,009)</u>	<u>(986,832)</u>
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY	<u>\$ 1,048,117</u>	<u>\$ 1,239,147</u>

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 and nine months ended February 29, 2024, and February 28, 2023
(Unaudited – expressed in Canadian dollars)

	For the three months ended February 29, 2024 \$	For the three months ended February 28, 2023 \$	For the nine months ended February 29, 2024 \$	For the nine months ended February 28, 2023 \$
Revenue (Note 14)	2,757,142	2,687,987	8,007,560	7,639,096
Cost of revenue	(2,110,359)	(1,939,092)	(5,910,806)	(5,536,896)
Gross profit	646,783	748,895	2,096,754	2,102,200
Expenses:				
Selling, general and administrative (Note 10)	(790,588)	(802,553)	(2,431,912)	(2,600,432)
Depreciation of property and equipment (Note 5)	(3,355)	(27,813)	(25,659)	(39,070)
Amortization of right-of-use asset (Note 12)	(4,904)	(4,904)	(14,712)	(14,712)
Total operating expenses	(798,847)	(835,270)	(2,472,283)	(2,654,214)
Operating loss	(152,064)	(86,375)	(375,529)	(552,014)
Interest expense	(20,669)	(14,996)	(58,625)	(41,706)
Interest income	9,561	18,324	45,004	67,087
Accretion on lease liabilities (Note 13)	(3,888)	(3,981)	(11,358)	(12,222)
Loss before income taxes	(167,060)	(87,028)	(400,508)	(538,855)
Provision for income taxes	-	-	-	-
Net loss	(167,060)	(87,028)	(400,508)	(538,855)
Loss per share - basic and diluted	(0.0019)	(0.0010)	(0.0045)	(0.0060)
Weighted average number of common shares outstanding-Basic and Diluted	89,411,115	89,411,115	89,411,115	89,411,115
Net loss	(167,060)	(87,028)	(400,508)	(538,855)
Foreign currency translation adjustment	(5,153)	-	(12,669)	-
Comprehensive loss	(172,213)	(87,028)	(413,177)	(538,855)

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 nine months ended February 29, 2024 and February 28, 2023

(Unaudited – expressed 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	-	-	-	-	-	-	(538,855)	(538,855)
Balance as at February 28, 2023	89,411,115	6,293,608	-	422,008	2,575,889	-	(10,019,114)	(727,609)
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	-	-	-	-	-	(12,669)	-	(12,669)
Net loss	-	-	-	-	-	-	(400,508)	(400,508)
Balance as at February 29, 2024	89,411,115	6,293,608	-	422,008	2,575,889	(67,195)	(10,624,319)	(1,400,009)

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

Nerds on Site Inc.

Condensed Interim Consolidated Statements of cash flows
For the nine months ended February 29, 2024, and February 28, 2023
(Unaudited – expressed in Canadian dollars)

	February 29, 2024	February 28, 2023
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Net loss	\$ (400,508)	\$ (538,855)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation of property and equipment (Note 5)	25,659	39,070
Amortization on right-of-use asset (Note 12)	14,712	14,712
Accrued interest	704	1,150
Accretion on lease liabilities (Note 13)	11,358	12,222
Gain on sale of property and equipment	(19,008)	(400)
Changes in working capital:		
Accounts receivable	(8,181)	(69,783)
Inventory	39,303	4,659
Prepaid expenses and other current assets	(29,148)	(20,414)
Accounts payable and accrued liabilities	75,959	264,674
Contract liabilities	(49,873)	(15,362)
Net cash used in operating activities	<u>(339,023)</u>	<u>(308,327)</u>
CASH FLOWS FROM (USED) IN INVESTING ACTIVITIES		
Proceeds from sale of property and equipment	24,368	400
Payments for acquisition of property and equipment (Note 5)	(4,246)	(13,316)
Net cash from (used) in investing activities	<u>20,122</u>	<u>(12,916)</u>
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
(Repayments made on) advances from loans	(13,649)	(10,474)
(Repayments made on) advances from bank debt	6,137	(114,454)
Repayment of lease liabilities (Note 13)	(23,409)	(23,409)
Repayment of CEBA loan	(40,000)	-
Due to related party (Note 9)	254,910	133,758
Payments due from related parties (Note 9)	98,166	240,218
Net cash from financing activities	<u>282,155</u>	<u>225,639</u>
Effects of foreign currency exchange rate changes	(12,659)	---
NET DECREASE IN CASH AND CASH EQUIVALENTS	(36,746)	(95,604)
Cash and cash equivalents, beginning of period	<u>206,789</u>	<u>279,459</u>
Cash and cash equivalents, end of period	<u>\$ 157,384</u>	<u>\$ 183,855</u>

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

Nerds on Site Inc.

Notes to the condensed interim consolidated financial statements

For the three and nine months ended February 29, 2024, and February 28, 2023

(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. On October 17, 2023, Nerds on Site USA Inc. incorporated a subsidiary in the United States of America as NOS Technical Services, LLC. 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 April 26, 2024.

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 and nine months ended February 29, 2024, and February 28, 2023

(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 Company is currently assessing the impact of adoption of this amendment to its financial statements.

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 \$400,508 during the nine months ended February 29, 2024, with a cumulative deficit of \$10,624,319 as at February 29, 2024 (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 February 29, 2024, the Company had current assets of \$763,277 (May 31, 2023 - \$872,607) to cover current liabilities of \$1,816,973 (May 31, 2023 - \$1,709,455).

Nerds on Site Inc.

Notes to the condensed interim consolidated financial statements

For the three and nine months ended February 29, 2024, and February 28, 2023

(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 \$87,190 and \$87,755 for February 29, 2024 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 \$283,766 and \$275,585 at February 29, 2024 and May 31, 2023 respectively.

5. Property and equipment

The following is a continuity of property and equipment as at February 29, 2024 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	4,246	-	-	-	-	-	4,246
Disposals	-	-	-	(34,912)	-	-	(34,912)
Balance as at February 29, 2024	\$ 128,707	\$ 15,684	\$ 15,000	\$ 534,703	\$ 1,250	\$ 47,721	\$ 743,065
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	-	-	-	(29,552)	-	-	(29,552)
Depreciation	2,220	-	-	23,439	-	-	25,659
Balance as February 29, 2024	\$ 112,832	\$ 15,684	\$ 15,000	\$ 531,223	\$ 1,250	\$ 21,432	\$ 697,421
Net Carrying Amounts							
As at May 31, 2023	\$ 13,849	\$ -	\$ -	\$ 32,279	\$ -	\$ 26,289	\$ 72,417
As at February 29, 2024	\$ 15,875	\$ -	\$ -	\$ 3,480	\$ -	\$ 26,289	\$ 45,644

Nerds on Site Inc.

Notes to the condensed interim consolidated financial statements

For the three and nine months ended February 29, 2024, and February 28, 2023

(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 February 29, 2024) plus 2.25% and repayment is due on demand. During the nine months ended February 29, 2024, total interest expense recorded under selling, general and administrative expenses was \$8,325 (2023: \$7,908). 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 \$151,941 and \$145,804 at February 29, 2024 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:

	February 29, 2024	May 31, 2023
<i>Current portion</i>		
Vehicle loans	\$ 16,785	\$ 13,754
CEBA loans	-	39,296
	<u>16,785</u>	<u>53,050</u>
<i>Non-current portion</i>		
Vehicle loans	-	16,680
	-	<u>16,680</u>
	<u>\$ 16,785</u>	<u>\$ 69,730</u>

As at February 29, 2024, the Company has a \$nil (May 31, 2023: \$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 recognized the forgiveness in the year ended May 31, 2021, and the Company has repaid the CEBA loan during the quarter ended February 29, 2024, and prior to January 18, 2024.

Interest expense incurred for the nine-month periods ended February 29, 2024 was \$1,011 (February 28, 2023: \$1,150)

Nerds on Site Inc.

Notes to the condensed interim consolidated financial statements

For the three and nine months ended February 29, 2024, and February 28, 2023

(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 February 29, 2024, \$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 February 29, 2024 and May 31, 2023, the Company had the following number of shares outstanding:

Description	February 29, 2024	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 and nine months ended February 29, 2024, and February 28, 2023

(in Canadian dollars)

(Unaudited)

9. Related party balances and transactions

Amounts due from related parties as at February 29, 2024 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:

	February 29, 2024	May 31, 2023
<i>Current portion</i>		
Ready Aim Fire Enterprising Inc. (a) and (b)	\$ 146,075	134,865
Nerds On-Site South Africa (b)	25,110	37,272
Adam Networks Inc. (a) and (b)	-	31,491
Other related parties (b)	(6,477)	19,031
	\$ 164,708	222,659
<i>Non-current portion</i>		
Ready Aim Fire Enterprising Inc. (a) and (b)	\$ 96,934	107,593
Nerds On-Site South Africa (b)	25,056	54,612
	\$ 121,990	162,205

(a) via same key management personnel

(b) by virtue of common control

The Company recorded revenue from the following related parties during the three and nine months ended February 29, 2024, and February 28, 2023:

	Ready Aim Fire Enterprising Inc. (\$)	Adam Networks Inc (\$)	Nerds On Site South Africa (\$)	Total (\$)
Three months ended February 29, 2024	16,040 (a)	- (b)	2,770 (c)	18,810
Three months ended February 28, 2023	19,219 (a)	5,734 (b)	1,389 (c)	26,342
Nine months ended February 29, 2024	52,786 (d)	1,249 (e)	9,715 (f)	63,750
Nine months ended February 28, 2023	59,873 (d)	20,664 (e)	6,088 (f)	86,625

(a) includes interest on receivables for \$3,055 (3 months ended February 28, 2023: \$7,415)

(b) includes interest on receivables for \$ nil (3 months ended February 28, 2023: \$5,734)

(c) includes interest on receivables for \$819 (3 months ended February 28, 2023: \$1,389)

(d) includes interest on receivables for \$13,986 (9 months ended February 28, 2023: \$24,420)

(e) includes interest on receivables for \$1,249 (9 months ended February 28, 2023: \$20,664)

(f) includes interest on receivables for \$3,865 (9 months ended February 28, 2023: \$6,088)

As of February 29, 2024, the Company has a payable for \$619,660 to a related party (May 31, 2023: \$364,750). This amount includes interest for \$39,804 which is calculated at 10% pa.

Nerds on Site Inc.

Notes to the condensed interim consolidated financial statements

For the three and nine months ended February 29, 2024, and February 28, 2023

(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 February 29, 2024	For the three month period ended February 28, 2023	For the nine month period ended February 29, 2024	For the nine month period ended February 28, 2023
Salaries and benefits, including bonuses	\$ 70,455	\$ 90,090	\$ 220,605	\$ 270,270
Directors fees	\$ 25,161	\$ 18,215	\$ 76,161	\$ 67,215
Total	\$ 95,616	\$ 108,305	\$ 296,766	\$ 337,485

10. Selling, general and administrative expenses

The Company has the following breakdown of selling, general and administrative expenses for the three and nine months ended February 29, 2024, and February 28, 2023:

	3 months 2024	3 months 2023	9 months 2024	9 months 2023
	\$	\$	\$	\$
Programming and related costs	220,078	227,913	702,000	720,542
Management remuneration	95,616	108,305	296,766	337,485
Office and administrative expenses	120,683	142,657	306,933	394,294
Payroll and related costs	68,541	70,084	230,843	212,595
Legal and professional	51,228	6,209	167,946	187,019
Advertising and promotion	14,558	16,190	62,036	70,108
Bank and interest charges	54,654	52,386	160,333	152,838
Business development	86,429	90,489	262,158	261,594
Communication	72,454	73,535	213,284	220,269
Automobile expenses	6,347	14,785	29,613	43,688
Total	790,588	802,553	2,431,912	2,600,432

Nerds on Site Inc.

Notes to the condensed interim consolidated financial statements
For the three and nine months ended February 29, 2024, and February 28, 2023
(in Canadian dollars)
(Unaudited)

11. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities as of February 29, 2024 and May 31, 2023 constitutes the following:

	February 29, 2024	May 31, 2023
	\$	\$
Accounts payable	677,927	538,020
Accrued liabilities	439,108	524,171
Wages payable	18,384	18,542
Subcontractor payable	54,160	39,028
Others	57,426	51,285
	<u>1,247,005</u>	<u>1,171,046</u>

12. Right-of-use Asset

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

Balance, May 31, 2022	151,534
Amortization during the year	(19,616)
Balance, May 31, 2023	131,918
Amortization during the period	(14,712)
Balance, February 29, 2024	117,206

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

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 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	11,358
Lease payments made during the period	(23,409)
Balance February 29, 2024	139,733
Less than one year	17,030
Greater than one year	122,703
Total lease obligation	139,733

Nerds on Site Inc.

Notes to the condensed interim consolidated financial statements

For the three and nine months ended February 29, 2024, and February 28, 2023

(in Canadian dollars)

(Unaudited)

14. Revenue

Details of revenue for the three and six months ended February 29, 2024, and February 28, 2023:

	three months 2024	three months 2023	nine months 2024	nine months 2023
	\$	\$	\$	\$
Service fees	1,163,740	1,222,130	3,374,212	3,612,228
Product sales (Sale of software, hardware and related)	1,588,385	1,461,726	4,617,408	4,017,633
Miscellaneous fee	5,017	4,131	15,940	9,235
Total	<u>2,757,142</u>	<u>2,687,987</u>	<u>8,007,560</u>	<u>7,639,096</u>

15. Inventory

The Company had \$83,344 and \$122,647 of finished goods inventory purchased for resale as at February 29, 2024 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 February 29, 2024, the Company's revenue comprises 92% sales in Canada and 8% sales within USA. (February 28, 2023: 94% sales in Canada and 6% sales within USA.).

For the nine months ended February 29, 2024, the Company's revenue comprises 92% sales in Canada and 8% sales within USA. (February 28, 2023: 94% sales in Canada and 6% sales within USA.).

As of February 29, 2024, all assets of the business are located in Canada except for cash of \$17,495 (May 31, 2023: \$33,443), accounts receivable of \$51,805 (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 \$50,166 (May 31, 2023: \$91,884) from a related party in South Africa.

Nerds on Site Inc.

Notes to the condensed interim consolidated financial statements

For the three and nine months ended February 29, 2024, and February 28, 2023

(in Canadian dollars)

(Unaudited)

17. Warrants

The following table reflects the continuity of warrants for the period ended February 29, 2024 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 8)	(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 February 29, 2024	-	-	-

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 February 29, 2024 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 February 29, 2024	4,000,000	0.15

Nerds on Site Inc.

Notes to the condensed interim consolidated financial statements

For the three and nine months ended February 29, 2024, and February 28, 2023

(in Canadian dollars)

(Unaudited)

18. Share-based compensation (continued)

As at February 29, 2024, 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	2.20