Nerds On Site Inc.

Consolidated Financial Statements
May 31, 2024, 2023 and 2022

(Expressed in Canadian Dollars)

Independent Auditor's Report

To the Shareholders of Nerds On Site Inc.:

Opinion

We have audited the consolidated financial statements of Nerds On Site Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at May 31, 2024 and May 31, 2023, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity (deficiency) and cash flows for the years ended May 31, 2024, May 31, 2023 and May 31, 2022, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at May 31, 2024 and May 31, 2023, and its consolidated financial performance and its consolidated cash flows for the years ended May 31, 2024, May 31, 2023 and May 31, 2022 in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the consolidated financial statements, which indicates that the Company incurred a net loss during the year ended May 31, 2024 and, as of that date, the Company had a working capital deficiency and an accumulated deficit. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Revenue Recognition

Key Audit Matter Description

As described in Note 20 to the consolidated financial statements, total service and product revenue for the year ended May 31, 2024 was $10,954,228. As more fully described in Note 3, service revenue is recognized when performance obligations are met. Hardware and related support revenue is recognized when the control of the product is transferred to the customer.

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The principal considerations for our determination that the recognition of revenue is a key audit matter are the volume of low value transactions and the significant value of total revenue recognized. Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements.

Audit Response

Our audit procedures included, among others:

- Obtaining an understanding of the Company's key controls associated with the Company's revenue recognition process.
- Performed substantive testing procedures over revenue transactions including, obtaining sales invoices and verifying the accuracy of the associated journal entry, inspecting the consideration received, verifying the good and services have been provided and performing cut-off testing.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Murad Bhimani.

MNP LLP

Toronto, Ontario
September 27, 2024

Chartered Professional Accountants
Licensed Public Accountants

Nerds On Site Inc.

Consolidated Statements of Financial Position as at May 31, 2024 and 2023
(in Canadian dollars)

		May 31, 2024		May 31, 2023
ASSETS				
CURRENT				
Cash and cash equivalents	$	267,336	$	206,789
Short term investments (Note 23)		170,037		-
Accounts receivable (net of expected credit losses) (Note 5)		208,730		275,585
Inventory (Note 6)		69,293		122,647
Prepaid expenses and other current assets		46,363		44,927
Current portion of due from related parties (Note 11)		394,731		222,659
		1,156,490		872,607
NON-CURRENT				
Due from related parties (Note 11)		-		162,205
Right-of-use assets (Note 17)		112,302		131,918
Property and equipment (Note 7)		43,228		72,417
		155,530		366,540
TOTAL ASSETS	$	1,312,020	$	1,239,147
LIABILITIES AND SHAREHOLDERS' DEFICIENCY				
LIABILITIES				
CURRENT				
Accounts payable and accrued liabilities (Note 16)	$	1,152,576	$	1,171,046
Contract liabilities		189,689		253,286
Bank debt (Note 8)		163,805		145,804
Preferred shares (Note 10)		100		100
Dividend payable (Note 10)		69,479		69,479
Due to related parties (Note 11)		86,423		-
Current portion of lease liabilities (Note 18)		18,435		16,690
Current portion of loans payable (Note 9)		6,843		13,754
CEBA Loans (Note 9)		-		39,296
		1,687,350		1,709,455
NON-CURRENT				
Non-current portion of loans payable (Note 9)		-		16,680
Non- current portion of due to related parties (Note 11)		945,885		364,750
Non-current portion of lease liabilities (Note 18)		116,662		135,094
		1,062,547		516,524
TOTAL LIABILITIES		2,749,897		2,225,979
SHAREHOLDERS' DEFICIENCY				
Common stock (Note 10)		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		(61,848)		(54,526)
Accumulated deficit		(10,667,534)		(10,223,811)
TOTAL SHAREHOLDERS' DEFICIENCY		(1,437,877)		(986,832)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY	$	1,312,020	$	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 consolidated financial statements

Nerds On Site Inc.

Consolidated Statements of Loss and Comprehensive Loss
For the years ended May 31, 2024, 2023 and 2022
(in Canadian dollars)

	2024	2023	2022
Revenue (Notes 11, 13 and 20)	$ **10,954,228**	$ 10,525,920	$ 9,629,945
Cost of revenue (Note 6)	**(8,158,840)**	(7,770,466)	(7,095,358)
Gross Profit	**2,795,388**	2,755,454	2,534,587
Expenses			
Selling, general and administrative (Notes 11 and 15)	**(3,216,881)**	(3,444,217)	(3,469,802)
Depreciation of property and equipment (Note 7)	**(28,075)**	(62,676)	(81,305)
Gain on sale of capital assets (Note 7)	**86,961**	-	-
Amortization of right-of-use assets (Note 17)	**(19,616)**	(19,616)	(25,145)
Total operating expenses	**(3,177,611)**	(3,526,509)	(3,576,252)
Operating loss	**(382,223)**	(771,055)	(1,041,665)
Interest expense (Note 22)	**(99,135)**	(58,737)	(27,740)
Interest and other income	**52,160**	102,346	154,376
Accretion on lease liabilities (Note 18)	**(14,525)**	(16,106)	(17,800)
Loss before income taxes	**(443,723)**	(743,552)	(932,829)
Provision for income taxes (Note 12)	**-**	-	-
Net loss	$ **(443,723)**	$ (743,552)	(932,829)
Loss per share - Basic and Diluted	$ **(0.0050)**	$ (0.0083)	(0.0104)
Weighted average number of common shares outstanding - Basic and Diluted	**89,411,115**	89,411,115	89,411,115
Net Loss	**(443,723)**	(743,552)	(932,829)
Foreign currency translation adjustment	**(7,322)**	(54,526)	-
Comprehensive loss	$ **(451,045)**	$ (798,078)	$ (932,829)

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

Nerds On Site Inc.

Consolidated Statements of Changes in Shareholders' Equity (Deficiency)
For the years ended May 31, 2024, 2023 and 2022
(in Canadian dollars)

	Common stock							
	Shares #	**Amount $**	**Warrants reserve $**	**Option reserve $**	**Contributed surplus $**	**Accumulated other comprehensive loss $**	**Accumulated deficit $**	**Total $**
Balance as at May 31, 2021	**89,411,115**	**6,293,608**	**195,808**	**422,008**	**2,380,081**	**-**	**(8,547,430)**	**744,075**
Reclassification on expiry of warrants	-	-	(195,808)	-	195,808	-	-	-
Net loss	-	-	-	-	-	-	(932,829)	(932,829)
Balance as at May 31, 2022	**89,411,115**	**6,293,608**	**-**	**422,008**	**2,575,889**	**-**	**(9,480,259)**	**(188,754)**
Currency translation adjustment	-	-	-	-	-	(54,526)	-	(54,526)
Net loss	-	-	-	-	-	-	(743,552)	(743,552)
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	-	-	-	-	-	(7,322)	-	(7,322)
Net loss	-	-	-	-	-	-	(443,723)	(443,723)
Balance as at May 31, 2024	**89,411,115**	**6,293,608**	**-**	**422,008**	**2,575,889**	**(61,848)**	**(10,667,534)**	**(1,437,877)**

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

Nerds On Site Inc.

Consolidated Statements of Cash Flows
For the years ended May 31, 2024, 2023 and 2022
(in Canadian dollars)

		2024	2023	2022
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES				
Net loss	$	**(443,723)**	(743,552)	(932,829)
Adjustments to reconcile net loss to net cash used in operating activities				
Depreciation on property and equipment (Note 7)		**28,075**	62,676	81,305
Amortization of right-of-use assets (Note 17)		**19,616**	19,616	25,145
Accrued interest		**704**	1,470	3,438
Accretion of lease liabilities (Note 18)		**14,525**	16,106	17,800
Gain on sale of property and equipment		**(86,961)**	-	-
Changes in working capital:				
Accounts receivable		**66,855**	(95,481)	(47,650)
Inventory		**53,354**	18,814	(71,641)
Prepaid expenses and other current assets		**(1,436)**	2,102	82,484
Accounts payable and accrued liabilities		**(18,470)**	313,766	108,168
Contract liabilities		**(63,597)**	(24,753)	(91,724)
Net cash (used in) operating activities		**(431,058)**	(429,236)	(825,504)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES				
Proceeds from sale of property and equipment		**92,321**	-	-
Short term investments		**(170,037)**	-	-
Payments for acquisition of property and equipment (Note 7)		**(4,246)**	(13,316)	(27,132)
Net cash flows (used in) investing activities		**(81,962)**	(13,316)	(27,132)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES				
Repayments made on loans payable (Note 9)		**(23,591)**	(15,455)	(9,681)
(Repayments made on) advances from bank debt (Note 8)		**18,001**	(104,361)	122,676
Payments due from related parties (Note 11)		**(9,867)**	369,928	506,629
Repayment of lease liabilities (Note 18)		**(31,212)**	(31,212)	(37,426)
Repayment of CEBA loan (Note 9)		**(40,000)**	-	-
Due to related party (Note 11)		**667,558**	205,508	159,242
Net cash flows from financing activities		**580,889**	424,408	741,440
Effects of foreign currency exchange rate changes		**(7,322)**	(54,526)	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**60,547**	(72,670)	(111,196)
Cash and cash equivalents, beginning of year		**206,789**	279,459	390,655
Cash and cash equivalents, end of year	$	**267,336**	206,789	279,459

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

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 and Going concern

The Company’s consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The consolidated 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.

These 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 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 $443,723 during the year ended May 31, 2024, with a cumulative deficit of $10,667,534 as at May 31, 2024 (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 May 31, 2024, the Company had current assets of $1,156,490 (2023 - $872,607) to cover current liabilities of $1,687,350 (2023 - $1,709,455).

These consolidated financial statements were approved by the Company’s board of directors on September 27, 2024.

3. Material accounting policies

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except as otherwise noted.

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 U.S. dollars.

Assets and liabilities of its subsidiary having a functional currency other than the Canadian dollar are translated at the rate of exchange at the reporting period date. Revenues and expenses are translated at average rates for the period, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the dates of the transaction are used. The resulting foreign currency translation adjustments are recognized in the accumulated other comprehensive income (loss) included in shareholders' equity (deficiency). Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the date of the transactions. At the end of each reporting period, foreign currency denominated monetary assets and liabilities are translated to the functional currency using the prevailing rate of exchange at the reporting period date. Gains and losses on translation of monetary items are recognized in the consolidated statement of loss and comprehensive loss.

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.

Property and equipment and intangible assets

Property and equipment and intangible assets are carried at historical cost less accumulated depreciation and amortization and any accumulated impairment losses. Each component of an item of property and equipment and intangible assets 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 and intangible assets 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 and intangible assets is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

3. Material accounting policies (continued)

Property and equipment and intangible assets (continued)

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

Impairment of long-lived assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately.

If an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately.

Income taxes

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in profit or loss except to the extent that they relate to items recognized directly in equity or other comprehensive income.

Current tax

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

3. Material accounting policies (continued)

Deferred tax

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in profit or loss, comprehensive income or loss or in equity depending on the item to which the adjustment relates.

Deferred tax assets are recognized to the extent future recovery is probable. At the end of each reporting period, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Unrecognized deferred tax assets are reviewed at each reporting date and are recorded to the extent it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Inventory

Inventory is stated at the lower of cost or net realizable value and valued on a specific identification cost basis.

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 consolidated 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.

3. Material accounting policies (continued)

Loss per share (continued)

Financial instruments

(i) Accounting policy

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.

(ii) Financial instruments category under IFRS 9

The following table shows the classification categories under IFRS 9 for each class of the Company's financial assets and financial liabilities.

Financial assets and liabilities	IFRS 9
Cash and cash equivalents	FVTPL
Short term Investments	Amortized cost
Accounts receivable	Amortized cost
Due from related parties	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Bank debt	Amortized cost
Loans payable	Amortized cost
CEBA loan payable	Amortized cost
Preferred shares	Amortized cost
Dividend payable	Amortized cost
Due to related parties	Amortized cost

Financial assets and liabilities at FVTPL

A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. Financial instruments are recognized initially and subsequently at fair value. Transaction costs are expensed in the consolidated statement of loss and comprehensive loss. Gains and losses arising from changes in fair value are presented in the consolidated statement of loss and comprehensive loss within other gains and losses in the period in which they arise. Financial assets and liabilities at fair value through profit or loss are classified as current except for the portion expected to be realized or paid beyond twelve months of the end of the reporting period, which are classified as non-current.

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of loss and comprehensive loss.

3. Material accounting policies (continued)

Derecognition of financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are recognized in the consolidated statements of loss and comprehensive loss.

Derecognition of financial liabilities

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statements of loss and comprehensive loss.

Impairment of financial assets

The Company assesses on a forward-looking basis the expected credit losses (ECL) associated with its assets carried at amortized cost and FVTPL.

For accounts receivables, the Company applies the simplified approach permitted by IFRS 9. The simplified approach to the recognition of ECL does not require the Company to track the changes in credit risk; rather, the Company recognizes a loss allowance at each reporting date based on the lifetime ECL since the date of the trade receivable.

Evidence of impairment may include:

- Indications that a debtor or a group of debtors is experiencing significant financial difficulty;
- A default or delinquency in payments;
- Probability that a debtor or a group of debtors will enter into bankruptcy or other financial reorganization; and
- Changes in arrears or economic conditions that correlate with defaults, where observable data indicates that there is a measurable decrease in the estimated future cash flows.

Accounts receivables are reviewed qualitatively on a case-by-case basis to determine if they need to be written off. ECL are measured as the difference in the present value of the contractual cash flows that are due to the Company under the contract, and the cash flows that the Company expects to receive. The Company assesses all information available in the measurement of the ECL associated with its assets carried at amortized cost.

- Impairment of cash and cash equivalents are evaluated by reference to the credit quality of the underlying financial institution. These instruments are low credit risk and no provision is considered for the current reporting period.

3. Material accounting policies (continued)

Foreign currency translation

Transactions in foreign currencies are initially translated into the functional currency using rates prevailing at the date of the transaction. Monetary assets and liabilities are translated using the exchange rates in effect at the end of the reporting period and non-monetary assets and liabilities at historical exchange rates. Revenue and expense items are translated using average quarterly exchange rate. Foreign exchange gains and losses are included in profit or loss.

IFRS 15 Revenue from Contracts with Customers

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.

Revenue from the sale of consulting services is recognized based on the transaction price specified in the contracts the Company has with its customers. When a customer enters into a time and materials, fixed-price or a prepaid service contract, the Company recognizes revenue in accordance with the Company's evaluation of the performance obligations in each contract. For contracts with multiple elements, the allocation is based on fair value. The stand-alone selling price is the price at which the Company would sell a promised good or service separately to a customer. Revenue under time and materials contracts are recognized as services are rendered and billed at contractually agreed upon rates.

3. Material accounting policies (continued)

IFRS 15 Revenue from Contracts with Customers (continued)

The Company recognizes revenue for sale of off the shelf software, hardware and related support when it transfers control of the product and when it is physically shipped and received by the customer, and depending on the delivery conditions, title and risk have passed to the customer. The delivery of the product to the customer is normally initiated by the Company's independent contractors who act as agents on behalf of the Company. The Company's contractors retain up to 37 percent of the service revenues and inventory markup for each customer and can retain up to half the service revenue and inventory markup with the lease or purchase of a Company branded vehicle ("NerdMobile").

Amounts billed in accordance with customer contracts, but not yet earned, are presented as part of contract liabilities.

Stock-based compensation

Where equity instruments are issued and some or all of the goods or services received by the Company as consideration cannot be specifically identified, these non-identifiable goods or services are measured as the difference between the fair value of the share-based payment and the fair value of any identifiable goods or services received at the grant date.

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value of stock options granted is estimated using the Black-Scholes option pricing model, taking into account amounts that are believed to approximate the expected volatility of the trading price of the Company's stock, the expected lives of the awards of stock-based compensation, the fair value of the Company's stock and the risk-free interest rate, as determined at the grant date.

The fair value of the equity instruments granted is recognized as an expense over the estimated vesting period with a corresponding increase to reserve for options.

IFRS 16 - Leases

The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term. On initial recognition, the carrying value of the lease liability also includes the amounts expected to be payable under any residual value guarantee, the exercise price of any purchase option granted if it is reasonably certain to assess that option and any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of the costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. Lease liabilities, on initial measurement, increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made.

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. Right-of-use assets are amortized on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if this is judged to be shorter than the lease term.

3. Material accounting policies (continued)

Short-term leases and leases of low-value assets

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a term of 12 months or less and leases of low-value assets.

New standards adopted

Definition of Accounting Estimates (Amendments to IAS 8)

In February 2021, the International Accounting Standards Board ("IASB") issued amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which were incorporated into Part I of the CPA Canada Handbook – Accounting in June 2021.

The amendments introduce a new definition of 'accounting estimates' and clarify the distinction between changes in accounting estimates, changes in accounting policies, and the correction of errors.

The amendments are effective for annual periods beginning on or after January 1, 2023. The amendments apply to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of the effective date. Earlier application is permitted. The amendments have been adopted and resulted in no significant adjustment to the consolidated financial statements.

Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12)

In May 2021, the IASB issued amendments to IAS 12 Income Taxes which were incorporated into Part I of the CPA Canada Handbook – Accounting in September 2021.

The amendments narrowed the scope of the recognition exemption so that entities would be required to recognize deferred tax on particular transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences, such as leases and decommissioning liabilities.

The amendments are effective for annual periods beginning on or after January 1, 2023. The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. Earlier application is permitted. An entity recognizes the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date. The amendments have been adopted and resulted in no significant adjustment to the consolidated financial statements.

International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12)

In May 2023, the IASB issued amendments to IAS 12 Income Taxes which were incorporated into Part I of the CPA Canada Handbook – Accounting in June 2023. The amendments introduce a mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the implementation of the Organization for Economic Co-operation and Development's (OECD) Pillar Two model rules, and provide disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

3. Material accounting policies (continued)

New standards adopted (continued)

The mandatory temporary exception applies immediately. The remaining disclosure requirements apply for annual reporting periods beginning on or after January 1, 2023, but not for any interim periods ending on or before December 31, 2023. The amendments have been adopted and resulted in no significant adjustment to the consolidated financial statements.

Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)

In September 2022, the IASB issued amendments to IFRS 16 Leases which were incorporated into Part I of the CPA Canada Handbook – Accounting in December 2022. The amendments address the measurement requirements for sale and leaseback transactions. The amendments require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024. Earlier application is permitted. A seller-lessee shall apply the amendments retrospectively to sale and leaseback transactions entered into after the date of initial application. The date of initial application is the beginning of the annual reporting period in which an entity first applies IFRS 16. The amendments have been adopted and resulted in no material impact to the consolidated financial statements.

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

In January 2020 and October 2022, the IASB issued amendments to IAS 1 Presentation of Financial Statements which were incorporated into Part I of the CPA Canada Handbook – Accounting in April 2020 and December 2022, respectively.

The amendments clarify the requirements for classifying liabilities as either current or non-current by clarifying:

- Liabilities are classified as either current or non-current depending on the existence at the end of the reporting period of a right to defer settlement of the liability for at least twelve months after the reporting period. The amendments also clarify that only covenants that an entity must comply with on or before the reporting date would affect a liability's classification as current or non-current, even if compliance with the covenant is only assessed after the entity's reporting date. Classification is unaffected by the likelihood that an entity will settle the liability within 12 months after the reporting date; and
- How an entity classifies debt an entity may settle by converting it into equity.

Additionally, the amendments added new disclosure requirements for situations where a liability is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months after the reporting date. The disclosure should enable users of financial statements to understand the risk that the liability classified as non-current could become repayable within 12 months after the reporting period.

3. Material accounting policies (continued)

New standards adopted (continued)

Both the January 2020 and October 2022 amendments are effective for annual reporting periods beginning on or after January 1, 2024. The amendments are to be applied retrospectively. Earlier application is permitted. The amendments have been adopted and resulted in no material impact to the consolidated financial statements.

Future accounting changes

Lack of Exchangeability (Amendments to IAS 21)

In August 2023, the IASB issued narrow- scope amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates, which were incorporated into Part I of the CPA Canada Handbook – Accounting in November 2023.

The amendments specify how to determine whether a currency is exchangeable into another currency and how to determine the spot exchange rate when a currency lacks exchangeability.

A currency is exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations.

An entity assesses whether a currency is exchangeable into another currency at the measurement date and for a specified purpose. If an entity is able to obtain no more than an insignificant amount of the other currency at the measurement date for the specified purpose, the currency is not exchangeable into the other currency.

When a currency is not exchangeable into another currency at a measurement date, an entity is required to estimate the spot exchange rate as the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions.

When an entity estimates a spot exchange rate because a currency is not exchangeable into another currency, the amendments require an entity to disclose information that enables the users of the financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows, including the risks to which the entity is exposed because of the currency not being exchangeable into the other currency.

The amendments are effective for annual reporting periods beginning on or after January 1, 2025. Earlier application is permitted. In applying the amendments, an entity shall not restate comparative periods but will follow the specific transitional provisions included in the amendments. The extent of the impact of adoption of this amendment has not yet been determined.

3. Material accounting policies (continued)

Future accounting changes (continued)

Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)

In May 2024, the IASB issued narrow scope amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures. The amendments have not yet been incorporated into Part I of the CPA Canada Handbook - Accounting.

The amendments:

- Provide clarification that a financial liability is derecognized on the ‘settlement date’, i.e., the date on which the liability is extinguished as the obligation specified in the contract is discharged or cancelled or expired;
- Provide an accounting policy option to derecognize a financial liability that is settled in cash using an electronic payment system before the settlement date if specified criteria are met. An entity that elects to apply this derecognition option shall apply it to all settlements made through the same electronic payment system;
- Clarify how financial assets with environmental, social and corporate governance (ESG) linked features and other contingent features should be classified, including how contractual cash flows on loans with these features should be assessed;
- Clarify that, for a financial asset to have ‘non-recourse’ features, the entity’s ultimate right to receive cash flows must be contractually limited to the cash flows generated by specified assets. The amendments also include factors that an entity should consider when assessing the cash flows underlying a financial asset with non-recourse features (the ‘look through’ test);
- Clarify the characteristics of the contractually linked instruments that distinguish them from other transactions; and
- Add new disclosure requirements for investments in equity instruments designated at fair value through other comprehensive income and financial instruments that have certain contingent features.

The amendments are effective for annual reporting periods beginning on or after January 1, 2026. Earlier application is permitted. The amendments are to be applied retrospectively. In applying the amendments, an entity is not required to restate comparative periods.

IFRS 18 Presentation and Disclosure in Financial Statements (New)

In April 2024, the International Accounting Standards Board (IASB) issued IFRS 18 Presentation and Disclosure in Financial Statements. The new standard has not yet been incorporated into Part I of the CPA Canada Handbook – Accounting. The extent of the impact of adoption of this amendment has not yet been determined.

3. Material accounting policies (continued)

Future accounting changes (continued)

IFRS 18 replaces IAS 1 Presentation of Financial Statements, and for all entities will:

- Introduce a new defined structure for the statement of profit and loss and require the classification of income and expenses in that statement into one of five categories: operating; investing; financing; income taxes; and discontinued operations. IFRS 18 introduces definitions of these categories for purposes of the statement of profit and loss. Specific categorization requirements will apply to entities whose 'main business activity' is to provide financing to customers or to invest in specified assets. Entities will also be required to present new subtotals for 'operating profit or loss' and 'profit or loss before financing and income taxes'.
- Require disclosure of 'management-defined performance measures' (MPMs) in a single note to the financial statements. MPMs are subtotals of income and expenses that an entity uses in public communications outside of its financial statements, to communicate management's view of an aspect of the financial performance of the entity as a whole to users. Entities must disclose a reconciliation between the measure and the most directly comparable total or subtotal specifically required to be disclosed by IFRS® Accounting Standards or subtotal listed in IFRS 18.
- Enhance guidance about how to group information within the financial statements.
- For the statement of cash flows, require that 'operating profit or loss' be used as the starting point for determining cash flows from operating activities under the indirect method, and remove the optionality around classification of cash flows from interest and dividends.

IFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027, including for interim financial statements. Earlier application is permitted. The new standard is to be applied retrospectively, and, in the year of adoption, a reconciliation is required between how the statement of profit or loss was presented in the comparative period under IAS 1 and how it is presented in the current year under IFRS 18. The extent of the impact of adoption of this amendment has not yet been determined.

4. Critical accounting judgments and key sources of estimation uncertainty

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

4. Critical accounting judgments and key sources of estimation uncertainty (continued)

Critical areas of estimation and judgements in applying accounting policies include the following:

Going concern

These consolidated financial statements have been prepared in accordance with IFRS on a going concern basis, which assumes the realization of assets and discharge of liabilities in the normal course of business within the foreseeable future. Management uses judgment in determining assumptions for cash flow projections, such as anticipated financing, anticipated sales and future commitments to assess the Company's ability to continue as a going concern. A critical judgment is that the Company continues to raise funds going forward and satisfy their obligations as they become due (see note 2).

Useful lives of property and equipment and intangible assets

As described in Note 3, the Company reviews the estimated useful lives of property and equipment and intangible assets with definite useful lives at the end of each year and assesses whether the useful lives of certain items should be shortened or extended, due to various factors including technology, competition and revised service offerings. During the years ended May 31, 2024, 2023 and 2022, the Company was not required to adjust the useful lives of any assets based on the factors described above.

Deferred income taxes

The calculation of deferred income taxes is based on assumptions which are subject to uncertainty as to timing and which tax rates are expected to apply when temporary differences reverse. Deferred tax recorded is also subject to uncertainty regarding the magnitude of non-capital losses available for carry forward and of the balances in various tax pools. By their nature, these estimates are subject to measurement uncertainty, and the effect on the consolidated financial statements from changes in such estimates in future period could be material. Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. Deferred tax assets are reviewed at each statement of financial position date and adjusted to the extent that it is no longer probable that the related tax benefit will be realized.

Share-based payments

The Black-Scholes option pricing model was used in estimating the fair value of granted options. This option valuation model requires the input of highly subjective assumptions including the expected stock price volatility, expected lives of the options, expected dividends to be paid by the Company and risk-free interest rates. Because changes in the input assumptions can materially affect the fair value estimate, such value is subject to measurement uncertainty. The effect on the consolidated financial statements from changes in such estimates in future years could be significant.

(in Canadian Dollars)

4. Critical accounting judgments and key sources of estimation uncertainty (continued)

Leases

The Company estimates the lease term by considering the facts and circumstances that can create an economic incentive to exercise an extension option, or not exercise a termination option by assessing relevant factors such as store profitability. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment of the lease term is reviewed if a significant event or a significant change in circumstance occurs, which affects this assessment and that is within the control of the lessee. The Company estimates the incremental borrowing rate used to measure its lease liability for each lease contract. This includes estimation in determining the asset-specific security impact.

5. 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 $71,222 and $87,755 for May 31, 2024 and 2023, respectively. Accounts receivable consist of amounts due from customers receiving IT consulting services and equipment.

	May 31, 2024	May 31, 2023
	$	$
Over 90 Days	**94,520**	168,313
61 to 90 Days	**11,675**	6,139
31 to 60 Days	**19,763**	4,994
0 to 30 Days	**153,994**	183,894
Allowance for expected credit losses	**(71,222)**	(87,755)
	208,730	275,585

The Company monitors all accounts receivable and transactions on a monthly basis to ensure collectability and the adequacy of loss provisions. Considerations include payment history, business volume history, financial statements of customers, projections of customers and other standard credit review documentation.

6. Inventory

The Company had $69,293 and $122,647 of finished goods inventory purchased for resale as at May 31, 2024 and 2023, respectively. The value of the inventory is equivalent to lower of cost or net realizable value as of the reporting dates above. During the year ended May 31, 2024, the Company had finished goods recognized as cost of revenue of $4,817,324 (2023: $4,223,977, 2022: $3,953,574).

(in Canadian Dollars)

7. Property and equipment

The following is a continuity of property and equipment as at May 31, 2024 and 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		-	-	-		(135,304)		-	-	(135,304)
Balance as at May 31, 2024	**$**	**128,707 $**	**15,684 $**	**15,000**	**$**	**434,311**	**$**	**1,250**	**$ 47,721$**	**642,673**
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		-	-	-		(129,944)		-	-	(129,944)
Depreciation		3,231	-	-		24,844		-	-	28,075
Balance as May 31, 2024	**$**	**113,843 $**	**15,684$**	**15,000**	**$**	**432,236**	**$**	**1,250**	**$ 21,432$**	**599,445**
Net Carrying Amounts										
As at May 31, 2023	$	13,849 $	-$	-	$	32,279	$	-	$ 26,289	$ 72,417
As at May 31, 2024	**$**	**14,864 $**	**-$**	**-**	**$**	**2,075**	**$**	**-**	**$ 26,289**	**$ 43,228**

During the year ended May 31, 2024, the Company sold vehicles for $92,321 (2023: $nil) and recorded a gain for $86,961 (2023: $nil).

8. 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 May 31, 2024) plus 2.25% and repayment is due on demand. In 2024, total interest expense recorded under selling, general and administrative expenses was $22,189 (2023: $14,700; 2022: $7,240). 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 $163,805 and $145,804 at May 31, 2024 and 2023, respectively, and is presented as a current liability in the consolidated statements of financial position.

(in Canadian Dollars)

9. Loan payable

The carrying values of loans payable were as follows:

	May 31, 2024	May 31, 2023
Current portion		
Vehicle loans	$ **6,843**	$ 13,754
CEBA loans	**-**	39,296
	6,843	53,050
Non-current portion		
Vehicle loans	**-**	16,680
	-	16,680
	$ **6,843**	$ 69,730

Vehicle loans are due and payable within one year and carry a lien on the vehicles.

As at May 31, 2024, the Company has a $nil (May 31, 2023: $39,296) 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 year ended May 31, 2024, and prior to January 18, 2024.

Interest expenses incurred related to the loans for the years ended May 31, 2024, 2023 and 2022 were $1,284, $3,172 and $3,288 respectively.

10. Preferred shares liability and common stock

The Company is authorized an unlimited number of Class A preferred shares, non-voting, redeemable, with cumulative dividends and 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. 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. As at May 31, 2024, $69,479 of dividends remain unpaid (May 31, 2023: $69,479).

(in Canadian Dollars)

10. Preferred shares liability and common stock (continued)

As at May 31, 2024 and 2023 the Company had the following number of shares outstanding:

Description	May 31, 2024	May 31, 2023
Common Shares	89,411,115	89,411,115
Class B Preferred Shares	1,000,000	1,000,000

11. Related party balances and transactions

Amounts due from related parties as at May 31, 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 of 10%pa. The carrying values of due from related parties were as follows:

	May 31, 2024	May 31, 2023
Current portion		
Ready Aim Fire Enterprising Inc. (a) and (b)	$ 227,987	$ 134,865
Nerds On-Site South Africa (b)	136,239	37,272
Adam Networks Inc. (a) and (b)	-	31,491
Other related parties (b)	30,505	19,031
	$ 394,731	$ 222,659
Non-current portion		
Ready Aim Fire Enterprising Inc. (a) and (b)	$ -	$ 107,593
Nerds On-Site South Africa (b)	-	54,612
	$ -	$ 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 years ended May 31, 2024, 2023 and 2022:

	Ready Aim Fire Enterprising Inc. ($) (a)	Adam Networks Inc ($) (b)	Nerds On Site South Africa ($) (c)	Total ($)
Year ended May 31, 2024	71,140	1,249	11,665	84,054
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

(in Canadian Dollars)

11. Related party balances and transactions (continued)

(a) includes interest on receivables for $18,827, $31,087 and $42,233 for the years ended May 31, 2024, 2023 and 2022 respectively.
(b) includes interest on receivables for $1,249, $25,214 and $43,074 for the years ended May 31, 2024, 2023 and 2022 respectively.
(c) includes interest on receivables for $3,865, $8,591 and $11,672 for the years ended May 31, 2024, 2023 and 2022 respectively.

As of May 31, 2024, the Company has a payable for $1,032,308 to related parties comprising of the CEO and his related companies (May 31, 2023: $364,750). This amount includes interest for $nil (May 31, 2023: $24,264) which is calculated at 10%-15% pa. This total amount consists of a long-term amount of $945,885 (May 31, 2023: $364,750) and a short-term amount of $86,423 (May 31, 2023: $nil).

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

	2024	2023	2022
	$	$	$
Salaries and benefits, including bonuses	280,665	341,880	360,360
Directors' fees	101,322	95,575	125,023
	381,987	437,455	485,383

12. Income taxes

The Company primarily has operations in Canada. As at May 31, 2024, 2023 and 2022, there was no deferred tax asset or liability recognized.

The Company's income tax (recovery) expense is determined as follows:

		2024		2023		2022
Statutory income tax rate		**26.28%**		26.28%		26.28%
Loss before income taxes	**$**	**(443,723)**	$	(743,552)	$	(932,829)
Loss before income taxes at statutory income tax rate	**$**	**(116,594)**	$	(195,378)	$	(245,113)
Decrease in income taxes:						
Non-deductible expenses		**4,450**		11,727		8,365
Change in statutory tax rates		**-**		-		7,300
Difference due to foreign tax rates		**(358)**		4,931		7,515
Others		**-**		(22,241)		1,413
Change in tax benefits not recognized		**112,502**		200,961		220,520
Income tax (recovery) expense	**$**	**-**	$	-	$	-

(in Canadian Dollars)

12. Income taxes (continued)

Deferred income taxes reflect the impact of loss carry forwards and of temporary differences between amounts of assets and liabilities for financial reporting purposes and such amounts as measured by tax laws. The following deferred tax assets and liabilities have been recognized for accounting purposes:

		2024		2023		2022
Deferred tax asset	**$**	**29,509**	$	34,848	$	40,389
Deferred tax liability		**(29,509)**		(34,848)		(40,389)
Net deferred tax asset (liability)	**$**	**-**	$	-	$	-

The temporary differences and loss carryforwards that give rise to significant portions of the deferred tax assets, which have not been recognized, are as follows:

		2024		2023		2022
Non-capital losses carried-forward	**$**	**9,993,916**	$	9,718,581	$	8,811,273
Share issuance cost		**-**		-		161,363
Property and equipment with computer software		**83,950**		70,370		64,395
Capital Lease Obligation		**22,795**		19,866		13,182
Deductible temporary differences	**$**	**10,100,661**	$	9,808,817	$	9,050,213

It is not probable that the company will be able to utilize the benefits relating to these deductible temporary differences and hence no deferred tax asset has been recognized.
As at May 31, 2024, the Company's Canadian and US non-capital losses of $9,993,916. will expire as follows:

Canada:

2035	309,559
2036	220,912
2037	1,484,652
2038	942,740
2039	2,117,614
2040	1,163,958
2041	633,498
2042	690,441
2043	603,558
2044	396,975
Total	8,563,907

United States:

Indefinite	1,430,009

13. 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, 2024, the Company's revenue comprises 95% sales in Canada and 5% sales within USA. (May 31, 2023: 92% sales in Canada and 8% sales within USA and May 31, 2022: 95% sales in Canada and 5% sales within USA).

As of May 31, 2024, all assets of the business are located in Canada except for cash of $15,241 (May 31, 2023: $33,443), accounts receivable of $95,602 (May 31, 2023: $72,754), inventory of $6,543 (May 31, 2023: $7,240), prepaid expenses of $13,425 (May 31, 2023: $18,681) and vehicles of $nil (May 31, 2023: $16,206) which are located in USA. In addition, the Company has a receivable for $136,238 (May 31, 2023: $91,884) from a related party in South Africa.

14. Financial instruments and risk management

Financial instruments

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, due from related parties, accounts payable and accrued liabilities, preferred shares, dividends payable, bank debt, loans payable and due to related parties.

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of the inputs to fair value measurements. The three levels of hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; and
- Level 3 – Inputs for the asset or liability that are not based on observable market data.

Cash and cash equivalents are measured at Level 1 inputs. There have been no transfers between fair value levels during the year.

The carrying values of cash and cash equivalents, short term investments, accounts receivable, accounts payable and accrued liabilities, preferred shares, dividends payable, bank debt and current portion of loans payable approximate their fair values due to their relatively short periods to maturity. The fair value of the due from related parties and the carrying value of long-term loans payable approximates fair value due to a market rate of interest being charged.

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.

(in Canadian Dollars)

14. Financial instruments and risk management (continued)

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, 2024 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, 2024:

	Total	Current	Over 30 days	Over 60 days	Over 90 days
Default rates (%)		0.56%	7.71%	22.41%	40.59%
Trade receivables ($)	279,952	153,994	19,763	11,675	94,520
Provision for ECL ($)	**42,213**	**855**	**1,523**	**2,616**	**37,219**

Provision for expected credit losses, as above	$	42,213
Add: additional specific identification		29,009
Total expected credit losses	**$**	**71,222**

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.

14. Financial instruments and risk management (continued)

Currency risk (continued)

As at May 31, 2024 and 2023, 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, 2024	**May 31, 2023**
Cash	$ 15,241	$ 33,443
Accounts receivable	95,602	72,754
Inventory	6,543	7,240
Accounts payable and accrued liabilities	(76,688)	(92,356)
Net financial assets	**$ 40,698**	**$ 21,081**

Based upon the above net exposure as at May 31, 2024, an 8% depreciation or appreciation of the US dollar relative to the Canadian dollar would result in approximately $3,256 (May 31, 2023 - $1,686) 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 (see note 2). 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	$ 1,152,576	-	-	**$ 1,152,576**
Bank debt	163,805	-	-	**163,805**
Due to related party	86,423	945,885	-	**1,032,308**
Dividend payable	69,479	-	-	**69,479**
Loans	6,843	-	-	**6,843**
Lease liability	18,435	20,365	96,297	**135,097**

(in Canadian Dollars)

15. Selling, general and administrative expenses

The Company has the following breakdown of selling, general and administrative expenses for the years ended May 31, 2024, 2023, and 2022:

	2024	2023	2022
	$	$	$
Programming and related costs	**934,763**	962,077	902,740
Office and administrative expenses	**406,130**	507,660	482,545
Business development	**354,059**	344,956	343,877
Advertising and promotion	**72,803**	89,102	94,606
Management remuneration	**381,987**	437,455	485,383
Legal and professional	**211,860**	238,074	248,505
Payroll and related costs	**313,654**	308,708	325,069
Communication	**286,711**	296,519	299,239
Bank and interest charges	**219,126**	208,503	229,253
Automobile expenses	**35,788**	51,163	58,585
	3,216,881	3,444,217	3,469,802

16. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities as at May 31, 2024 and May 31, 2023 constitutes the following:

	2024	2023
	$	$
Accounts payable	**516,909**	538,020
Accrued liabilities	**500,880**	524,171
Wages payable	**10,199**	18,542
Subcontractor payable	**42,606**	39,028
Credit cards payable	**64,827**	51,285
Others	**17,155**	-
	1,152,576	1,171,046

17. 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 year	(19,616)
Balance, May 31, 2024	**$ 112,302**

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

(in Canadian Dollars)

18. 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	14,525
Lease payments made during the period	(31,212)
Balance May 31, 2024	**135,097**
Less than one year	18,435
Greater than one year	116,662
Total lease obligation	$ 135,097

19. Fair value measurement

The following table provides the fair value measurement hierarchy of the Company's assets and liabilities valued as at May 31, 2024:

Assets measured at fair value:		Fair value measurement using		
	Total	Level 1	Level 2	Level 3
	$	$	$	$
Cash	267,336	267,336	-	-

The following table provides the fair value measurement hierarchy of the Company's assets and liabilities valued as at May 31, 2023:

Assets measured at fair value:		Fair value measurement using		
	Total	Level 1	Level 2	Level 3
	$	$	$	$
Cash	206,789	206,789	-	-

There were no transfers between level 1 and 2 during the years ended May 31, 2024 and 2023.

20. Revenue

	2024	2023	2022
	$	$	$
Service fees	**4,565,504**	4,872,346	4,582,194
Product sales (Sale of software, hardware and related)	**6,367,367**	5,639,612	5,045,719
Miscellaneous fee	**21,357**	13,962	2,032
	10,954,228	10,525,920	9,629,945

(in Canadian Dollars)

21. Warrants

The following table reflects the continuity of warrants for the years ended May 31, 2024, 2023 and 2022:

	Number of warrants outstanding and exercisable	Weighted average exercise prices	Weighted average remaining contractual life
	#	$	Years
Balance at May 31, 2019 & May 31, 2020	**22,971,727**	**0.41**	**0.69**
Expired warrants	(6,759,915)	0.70	-
Expired warrants	(1,081,586)	0.35	-
Expired warrants	(11,894,226)	0.30	-
Exercised warrants (Note 10)	(400,000)	0.25	-
Balance at May 31, 2021	**2,836,000**	**0.25**	**0.76**
Expired warrants	(2,836,000)	0.25	-
Balance at May 31, 2022, 2023 and 2024	**-**	**-**	**-**

22. Interest expense

	2024	2023	2022
	$	$	$
Interest on loans (Notes 8,9,11)	**99,135**	**58,737**	27,740
	99,135	**58,737**	27,740

23. Short-term investments

The Company holds short-term investments of $170,037 (2023: $nil) in term deposits. The investments with original terms to maturity at the date of acquisition of more than three months have been reflected as short-term investments. The principal accrues interest at 5.02% per annum and matures on October 28, 2024.

24. 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 years ended May 31, 2024, 2023 and 2022.

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

(in Canadian Dollars)

24. Share-based compensation (continued)

The continuity of stock options are as follows:

	Number of Options	Weighted Avg Exercise Price ($)
Outstanding Balance at May 31, 2019 and May 31, 2020	2,450,000	0.42
Stock options granted 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 May 31, 2024	4,000,000	0.15

As at May 31, 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	1.95

These options expire on May 20, 2026.

25. Commitments and Contingencies

The Company may become defendants in legal actions in which case the Company would defend itself vigorously. The Company is not aware of any unrecorded claims against the Company that could reasonably be expected to have a materially adverse impact on the Company's consolidated financial position, results of operations or the ability to carry on any of its business activities.

26. Subsequent events

The Company has evaluated the subsequent events up to September 27, 2024, the date on which the financial statements were issued.