

## FORM 5

### QUARTERLY LISTING STATEMENT

Name of Listed Issuer: PUDO Inc. (“PUDO” or the “Issuer”).

Trading Symbol: PDO

This Quarterly Listing Statement must be posted on or before the day on which the Issuer’s unaudited interim financial statements are to be filed under the *Securities Act*, or, if no interim statements are required to be filed for the quarter, within 60 days of the end of the Issuer’s first, second and third fiscal quarters. This statement is not intended to replace the Issuer’s obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by the Exchange Policies. If material information became known and was reported during the preceding quarter to which this statement relates, management is encouraged to also make reference in this statement to the material information, the news release date and the posting date on the Exchange website.

#### **General Instructions**

- (a) Prepare this Quarterly Listing Statement using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the following items must be in narrative form. When the answer to any item is negative or not applicable to the Issuer, state it in a sentence. The title to each item must precede the answer.
- (b) The term “Issuer” includes the Listed Issuer and any of its subsidiaries.
- (c) Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation and General Provisions.

There are three schedules which must be attached to this report as follows:

#### **SCHEDULE A: FINANCIAL STATEMENTS**

Financial statements are required as follows:

For the first, second and third financial quarters interim financial statements prepared in accordance with the requirements under Ontario securities law must be attached.

If the Issuer is exempt from filing certain interim financial statements, give the date of the exempting order.

*A complete copy of condensed interim unaudited financial statements for the three and six month periods ended August 31, 2020 and 2019, is attached at the end of this form and can be found on the Issuer's profile on the CSE website at [www.thecse.com](http://www.thecse.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).*

## **SCHEDULE B: SUPPLEMENTARY INFORMATION**

The supplementary information set out below must be provided when not included in Schedule A.

### **1. Related party transactions**

Provide disclosure of all transactions with a Related Person, including those previously disclosed on Form 10. Include in the disclosure the following information about the transactions with Related Persons:

- (a) A description of the relationship between the transacting parties. Be as precise as possible in this description of the relationship. Terms such as affiliate, associate or related company without further clarifying details are not sufficient.
- (b) A description of the transaction(s), including those for which no amount has been recorded.
- (c) The recorded amount of the transactions classified by financial statement category.
- (d) The amounts due to or from Related Persons and the terms and conditions relating thereto.
- (e) Contractual obligations with Related Persons, separate from other contractual obligations.
- (f) Contingencies involving Related Persons, separate from other contingencies.

*Please refer to Schedule A – Financial Statements – Notes 9(b) and 14.*

### **2. Summary of securities issued and options granted during the period.**

Provide the following information for the period beginning on the date of the last Listing Statement (Form 2A):

- (a) summary of securities issued during the period,

Date of Issue	Type of Security (common shares, convertible debentures, etc.)	Type of Issue (private placement, public offering, exercise of warrants, etc.)	Number	Price	Total Proceeds	Type of Consideration (cash, property, etc.)	Describe relationship of Person with Issuer (indicate if Related Person)	Commission Paid
27Aug2020	Common Shares	Exercise of options	44,279	\$1.30	\$57,563	settled against accounts payable	CFO	\$0.00
27Aug2020	Common Shares	Exercise of options	30,000	\$1.30	\$39,000	Cash	Director	\$0.00
27Aug2020	Common Shares	Exercise of options	20,000	\$1.20	\$24,000	settled against accounts payable	CFO	\$0.00
27Aug2020	Common Shares	Exercise of options	11,250	\$1.14	\$12,825	Cash	Director	\$0.00
31Aug2020	Common Shares	Exercise of options	10,000	\$1.20	\$12,000	Cash	Consultant	\$0.00
31Aug2020	Common Shares	Exercise of options	5,000	\$1.20	\$6,000	Cash	Employee	\$0.00

*None in this Quarter - Please refer to Schedule A – Financial Statements – Note 10.*

(b) summary of options granted during the period,

Date	Number	Name of Optionee if Related Person and relationship	Generic description of other Optionees	Exercise Price	Expiry Date	Market Price on date of Grant
17Jul2020	45,000	Thomas Bijou, Director		\$1.14	17-Jul-2025	\$1.14
17Jul2020	45,000	Murray Cooke, Director		\$1.14	17-Jul-2025	\$1.14
17Jul2020	45,000	Ian McDougall, Director		\$1.14	17-Jul-2025	\$1.14
17Jul2020	45,000	Howard Westerman, Director		\$1.14	17-Jul-2025	\$1.14
17Jul2020	45,000	Richard Cooper, Director		\$1.14	17-Jul-2025	\$1.14
17Jul2020	325,000	Gordon Cooper	Consultant	\$1.20	17-Jul-2025	\$1.14
17Jul2020	50,000	Kevin Dolan	Consultant	\$1.75	17-Jul-2025	\$1.14
17Jul2020	25,000	Laura Neubert	Consultant	\$1.75	17-Jul-2025	\$1.14
17Jul2020	30,000	Robert Coccia	Employee	\$1.75	17-Jul-2025	\$1.14
17Jul2020	30,000	Karen Speight	Employee	\$1.75	17-Jul-2025	\$1.14

*None in this Quarter - Please refer to Schedule A – Financial Statements – Note 12.*

**3. Summary of securities as at the end of the reporting period.**

Provide the following information in tabular format as at the end of the reporting period:

- (a) description of authorized share capital including number of shares for each class, dividend rates on preferred shares and whether or not cumulative, redemption and conversion provisions,
- (b) number and recorded value for shares issued and outstanding,
- (c) description of options, warrants and convertible securities outstanding, including number or amount, exercise or conversion price and expiry date, and any recorded value, and
- (d) number of shares in each class of shares subject to escrow or pooling agreements or any other restriction on transfer.

*Please refer to Schedule A – Financial Statements – Condensed Interim Consolidated Statements of Changes in Shareholders' (Deficiency) Equity Page 3 and Notes 10, 11, and 12.*

**4. List the names of the directors and officers, with an indication of the position(s) held, as at the date this report is signed and filed.**

<i>Frank Coccia</i>	<i>Chief Executive Officer</i>
<i>Doug Baker</i>	<i>Chief Financial Officer</i>
<i>Tom Bijou</i>	<i>Director - Chairman</i>
<i>Murray Cook</i>	<i>Director</i>
<i>Richard Cooper</i>	<i>Director</i>
<i>Ian McDougall</i>	<i>Director</i>
<i>Howard Westerman</i>	<i>Director</i>

**SCHEDULE C: MANAGEMENT DISCUSSION AND ANALYSIS**

Provide Interim MD&A if required by applicable securities legislation.

*MD&A – Quarterly Highlights for the three and six month periods ended August 31, 2020 and 2019, is attached at end of this form and can be found on the Issuer's profile on the CSE website at [www.thecse.com](http://www.thecse.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).*

**Certificate of Compliance**

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The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Quarterly Listing Statement.
2. As of the date hereof there is no material information concerning the Issuer which has not been publicly disclosed.
3. The undersigned hereby certifies to the Exchange that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all Exchange Requirements (as defined in CNSX Policy 1).
4. All of the information in this Form 5 Quarterly Listing Statement is true.

Dated **September 21, 2020**.

**Frank Coccia**  
Name of Director or Senior Officer

**/s/ Frank Coccia**  
Signature

**CEO**  
Official Capacity

<b>Issuer Details</b> Name of Issuer	For Quarter Ended	Date of Report YY/MM/DD
<b>PUDO Inc.</b>	<b>August 31, 2020</b>	<b>20/09/21</b>
Issuer Address		
<b>6600 Goreway Drive Unit D</b>		
City/Province/Postal Code	Issuer Fax No.	Issuer Telephone No.
<b>Mississauga, ON L4V 1S6</b>	<b>( )</b>	<b>(844) 300-8533</b>
Contact Name	Contact Position	Contact Telephone No.
<b>Frank Coccia</b>	<b>Founder-CEO</b>	<b>(844) 300-8533</b>
Contact Email Address	Web Site Address	
<b>frank.coccia@pudopoint.com</b>	<b>www.pudopoint.com</b>	

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# **PUDO INC.**

## **CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE THREE AND SIX MONTH PERIODS ENDED AUGUST 31,  
2020**

**(EXPRESSED IN CANADIAN DOLLARS)**

**(UNAUDITED)**

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### **NOTICE TO READER**

The accompanying unaudited condensed interim consolidated financial statements of PUDO Inc. have been prepared by and are the responsibility of management. The unaudited condensed interim consolidated financial statements have not been reviewed by the Company's auditors.

**PUDO Inc.****Condensed Interim Consolidated Statements of Financial Position  
(Expressed in Canadian Dollars)  
(Unaudited)**

<b>As at</b>	<b>Notes</b>	<b>August 31, 2020</b>	<b>February 29, 2020</b>
<b>Assets</b>			
Current assets			
Cash		\$ 1,183,873	\$ 2,038,493
Restricted short-term investment		25,504	25,378
Trade and other receivables	3, 5	209,261	213,701
Prepaid expenses and deposits		77,332	53,121
<b>Total current assets</b>		<b>1,495,970</b>	<b>2,330,693</b>
<b>Non-current assets</b>			
Equipment	6	71,414	52,942
Intangible assets	7	90,269	84,686
<b>Total assets</b>		<b>\$ 1,657,653</b>	<b>\$ 2,468,321</b>
<b>Liabilities</b>			
Current liabilities			
Trade and other payables	8, 14	\$ 345,865	\$ 507,683
Loans and borrowings	9	37,722	277,041
<b>Total current liabilities</b>		<b>383,587</b>	<b>784,724</b>
<b>Non-current liabilities</b>			
Loans and borrowings	9	-	13,045
<b>Total liabilities</b>		<b>383,587</b>	<b>797,769</b>
<b>Shareholders' equity</b>			
Share capital	10	8,531,211	8,260,886
Warrant reserve	11	1,499,079	1,499,079
Stock option reserve	12	2,023,872	2,069,620
Deficit		(10,780,096)	(10,159,033)
<b>Shareholders' equity</b>		<b>1,274,066</b>	<b>1,670,552</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 1,657,653</b>	<b>\$ 2,468,321</b>

**Nature of operations and going concern (note 1)****Commitments and contingencies (note 15)**

Approved by the Board of Directors:

"Thomas Bijou"

Director

"Richard Cooper"

Director

**See accompanying notes to the unaudited condensed interim consolidated financial statements**

**PUDO Inc.****Condensed Interim Consolidated Statements of Loss and Comprehensive Loss  
(Expressed in Canadian Dollars)  
(Unaudited)**

		Three Months Ended August 31,		Six Months Ended August 31,	
	Notes	2020	2019	2020	2019
Revenue	3	\$ 269,685	\$ 229,971	\$ 583,318	\$ 444,950
Cost of sales	13	(169,796)	(86,223)	(378,953)	(156,600)
<b>Gross profit</b>		<b>99,889</b>	<b>143,748</b>	<b>204,365</b>	<b>288,350</b>
Administrative expenses	13	(355,214)	(512,730)	(743,253)	(1,072,665)
Share-based compensation	12	(78,223)	(153,789)	(117,574)	(307,578)
<b>Operating loss</b>		<b>(333,548)</b>	<b>(522,771)</b>	<b>(656,462)</b>	<b>(1,091,893)</b>
Finance costs	9	(2,720)	(60,198)	(8,985)	(90,686)
<b>Net loss and comprehensive loss for the period</b>		<b>\$ (336,268)</b>	<b>\$ (582,969)</b>	<b>\$ (665,447)</b>	<b>\$ (1,182,579)</b>
<b>Loss per share - basic and diluted</b>		<b>\$ (0.01)</b>	<b>\$ (0.03)</b>	<b>\$ (0.02)</b>	<b>\$ (0.06)</b>
<b>Weighted average number of shares outstanding - basic and diluted</b>		<b>26,632,378</b>	<b>19,572,824</b>	<b>26,632,378</b>	<b>19,572,824</b>

See accompanying notes to the unaudited condensed interim consolidated financial statements



**PUDO Inc.**  
**Consolidated Statements of Changes in Shareholders'**  
**(Deficiency) Equity**  
**(Expressed in Canadian Dollars)**  
(Unaudited)

	# of Common Shares	Share Capital	Warrant Reserve	Stock Option Reserve	Equity Component of Convertible Debenture	Deficit	Total
<b>Balance, February 28, 2019</b>	19,572,824	\$ 6,001,685	\$ 83,944	\$ 2,473,983	\$ 31,624	\$ (9,248,236)	\$ (657,000)
Share-based compensation (note 13)	-	-	-	307,578	-	-	307,578
Broker warrants expired (note 12)	-	-	(83,944)	-	-	83,944	-
Share-based compensation forfeited (note 13)	-	-	-	(28,285)	-	28,285	-
Net loss	-	-	-	-	-	(1,182,579)	(1,182,579)
<b>Balance, August 31, 2019</b>	19,572,824	6,001,685	-	2,753,276	31,624	(10,318,586)	(1,532,001)
Share-based compensation (notes 13, 15)	-	-	-	290,104	-	-	290,104
Issuance of common shares in private placement (note 11)	5,223,470	1,791,370	1,194,910	-	-	-	2,986,280
Issuance of common shares in lieu of debt (note 11 (ii))	1,715,555	467,831	304,169	-	-	-	772,000
Renewal of convertible debentures (note 10)	-	-	-	-	2,974	7,410	10,384
Partial Payment of convertible debentures (note 10)	-	-	-	-	(34,598)	-	(34,598)
Options forfeited (note 13)	-	-	-	(973,760)	-	973,760	-
Net loss	-	-	-	-	-	(821,617)	(821,617)
<b>Balance, February 29, 2020</b>	26,511,849	8,260,886	1,499,079	2,069,620	-	(10,159,033)	1,670,552
Share-based compensation (notes 12, 14)	-	-	-	117,574	-	-	117,574
Stock options exercised (note 12)	120,529	270,325	-	(118,938)	-	-	151,387
Options forfeited (note 12)	-	-	-	(44,384)	-	44,384	-
Net loss	-	-	-	-	-	(665,447)	(665,447)
<b>Balance, August 31, 2020</b>	26,632,378	\$ 8,531,211	\$ 1,499,079	\$ 2,023,872	\$ -	\$(10,780,096)	\$ 1,274,066

See accompanying notes to the unaudited condensed interim consolidated financial statements

**PUDO Inc.****Condensed Interim Consolidated Statements of Cash Flows****(Expressed in Canadian Dollars)****(Unaudited)**

	Notes	Six Months Ended August 31, 2020	Six Months Ended August 31, 2019
<b>Cash flows used in operating activities</b>			
Net loss for the period		\$ (665,447)	\$ (1,182,579)
Adjustments for:			
Amortization	6, 7	54,347	80,844
Accretion expense	9	7,237	90,686
Share-based compensation	12	117,574	307,578
Allowance for doubtful accounts		199	-
Net change in working capital:			
Restricted short-term investment		(126)	-
Trade and other receivables		4,440	(48,513)
Prepaid expenses and deposits		(24,211)	27,492
Trade and other payables		(80,255)	281,257
<b>Cash flows used in operating activities</b>		<b>(586,242)</b>	<b>(443,235)</b>
<b>Cash flows used in investing activities</b>			
Purchase of equipment	6	(43,778)	(21,202)
Purchase of intangible assets	7	(34,625)	(12,250)
<b>Cash flows used in investing activities</b>		<b>(78,403)</b>	<b>(33,452)</b>
<b>Cash flows provided by (used in) financing activities</b>			
Proceeds from exercise of warrants and options	11,12	71,133	-
Proceeds from issuance of note payable	9	-	515,000
Repayment of advances payable and borrowings	9	(252,364)	(26,746)
<b>Cash flows provided by financing activities</b>		<b>(181,231)</b>	<b>488,254</b>
<b>Change in cash during the period</b>		<b>(845,436)</b>	<b>11,567</b>
<b>Cash, beginning of period</b>		<b>2,038,493</b>	<b>50,639</b>
Effect of translation of foreign currency		(8,744)	(16,489)
<b>Cash, end of period</b>		<b>\$ 1,183,873</b>	<b>\$ 45,717</b>

**Supplemental information:**

Exercised option payment settled against Accounts payable	\$	81,563
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See accompanying notes to the unaudited condensed interim consolidated financial statements

# **PUDO Inc.**

## **Notes to Condensed Interim Consolidated Financial Statements**

**Six Months Ended August 31, 2020 and 2019**

**(Expressed in Canadian Dollars)**

**(Unaudited)**

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### **1. Nature of operations and going concern**

The principal activity of PUDO Inc. (the “Company”) is using technology to improve the connection between e-commerce and consumers. The Company deploys its’ technology to provide consumers with convenient locations to pick-up or drop-off e-commerce parcels. Through collaboration with online retailers, third party logistics companies (“3PL”), Software as a Service (“SaaS”) and courier companies, consumers can take secure delivery of their parcels or drop-off returns where it’s convenient, when it’s convenient for them.

Existing businesses, such as convenience stores or gas stations, provide services as a PUDOpoint™ (“PUDOpoint”). PUDOpoints are typically open extended hours, seven days a week to make it convenient for busy consumers to quickly and efficiently collect what they’ve ordered online or drop off what they need to return. The Company deploys its technology to provide consumers with convenient PUDOpoints (the “Network”) to pick-up and drop-off (“PUDO”) e-commerce parcels.

The Company’s services provide courier companies and retailers with a presence in a broad variety of locations to better serve their customers. Not only convenient, these services can also save money. Couriers don’t have to attempt delivery a second or third time or make other arrangements with customers who aren’t home. Retailers can ship directly to PUDOpoints saving residential delivery costs and reducing the risk of theft or spoilage. PUDO also helps retailers reduce the cost and increase the convenience of their returns program. Consumers can drop off pre-labeled parcels at any PUDOpoint for processing back to the retailer.

#### **Going Concern**

These condensed interim consolidated financial statements have been prepared with the assumption that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. As at August 31, 2020, the Company had a working capital surplus of \$1,112,383 (February 29, 2020 – \$1,545,969), had not yet achieved profitable operations, had used cash in operating activities of \$586,242 for the six month period ended August 31, 2020 (August 31, 2019 - \$443,236), had a deficit of \$10,780,096 as at August 31, 2020 (February 29, 2020 - \$10,159,033) and had a shareholders’ equity of \$1,274,066 (February 29, 2020 – \$1,670,552). These conditions reflect material uncertainties which cast significant doubt about the Company’s ability to continue as a going concern. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. While the Company has been successful in raising the necessary funding to continue operations in the past, there is no assurance that it will be able to do so in the future. These condensed interim consolidated financial statements do not include the adjustments that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

### **2. Basis of preparation**

#### (a) Statement of compliance

The condensed interim consolidated financial statements of the Company were prepared in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting as issued by the International Accounting Standards Board (“IASB”) using the accounting policies the Company adopted in its annual condensed consolidated financial statements as at and for the year ended February 29, 2020.

The condensed interim consolidated financial statements of the Company for the three and six month period ended August 31, 2020 were approved and authorized for issue by the Board of Directors on September 21, 2020.

#### (b) Basis of presentation

The condensed interim consolidated financial statements have been prepared on a historical cost basis. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

# **PUDO Inc.**

## **Notes to Condensed Interim Consolidated Financial Statements**

**Six Months Ended August 31, 2020 and 2019**

**(Expressed in Canadian Dollars)**

**(Unaudited)**

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### **2. Basis of preparation (continued)**

#### (c) Basis of consolidation

The condensed interim consolidated financial statements comprise the financial statements of the Company and its wholly-owned subsidiaries PUDOpoint Inc., Grandview Gold (USA) Inc., and Recuperacion Realzada, S.A.C.

Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are de-consolidated from the date control ceases. The financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

### **3. Financial risk management**

#### (a) Fair values

The carrying amounts of, cash, restricted short-term investment, trade and other receivables, trade and other payables and advances payable approximate their fair values, given their short-term nature.

#### (b) Financial risk factors

The Company's activities expose it to a variety of financial risks, including credit risk, liquidity risk, market risk, and capital risk management. This note discloses information about the Company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk and their management of capital.

The Board of Directors has the overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

#### (i) Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet commitments it has entered into with the Company. The financial assets that potentially expose the Company to credit risk consist principally of cash or other receivables. The extent of the Company's exposure to credit risk approximate their carrying values are recorded in the Company's consolidated statement of financial position. A significant portion of the Company's revenues are from one customer. This customer is comprised of three different businesses operated independently under common control.

# PUDO Inc.

## Notes to Condensed Interim Consolidated Financial Statements Six Months Ended August 31, 2020 and 2019 (Expressed in Canadian Dollars) (Unaudited)

### 3. Financial risk management (continued)

	Three Months Ended August 31,		Six Months Ended August 31,	
	2020	2019	2020	2019
Revenue from one customer	\$ 155,584	\$ 123,329	\$ 362,180	\$ 247,975
% of total revenue	58%	54%	62%	54%
			<b>August 31, 2020</b>	<b>February 29, 2020</b>
Accounts Receivable from one Customer			35,619	107,189
% of total accounts receivable			46%	60%

The maximum exposure to credit risk at the reporting date was:

	August 31, 2020	February 29, 2020
Cash	\$ 1,183,873	\$ 2,038,493
Restricted short-term investment	25,504	25,378
Trade and other receivables	209,261	213,701
	<b>\$ 1,418,638</b>	<b>\$ 2,277,572</b>

#### (ii) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to finance its operations and to mitigate the effects of fluctuations in cash flows. See going concern discussion in note 1.

The following are the contractual maturities of financial liabilities:

August 31, 2020	1 Year or Less	Greater than 1 year	Total
Trade and other payables	\$ 345,865	\$ -	\$ 345,865
Loans and borrowings	40,122	-	40,122
	<b>\$ 385,987</b>	<b>\$ -</b>	<b>\$ 385,987</b>
February 29, 2020	1 Year or Less	Greater than 1 year	Total
Trade and other payables	\$ 507,683	\$ -	\$ 507,683
Loans and borrowings	282,592	13,373	295,965
	<b>\$ 790,275</b>	<b>\$ 13,373</b>	<b>\$ 803,648</b>

In order to meet such cash commitments, the Company will be required to generate sufficient cash inflows from operating and financing activities.

# PUDO Inc.

## Notes to Condensed Interim Consolidated Financial Statements Six Months Ended August 31, 2020 and 2019 (Expressed in Canadian Dollars) (Unaudited)

### 3. Financial risk management (continued)

#### (iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. All of the Company's equipment and intangible assets are located in Canada.

Revenue by geographic region for the three and six month periods ended August 31, 2020 is as follows:

	Three Months Ended August 31,		Six Months Ended August 31,	
	2020	2019	2020	2019
Canada	\$ 248,860	\$ 141,969	\$ 534,768	\$ 299,619
United States of America	20,825	88,002	48,549	145,331
	\$ 269,685	\$ 214,290	\$ 583,318	\$ 444,950

#### (iv) Currency risk

Since the Company has a bank account denominated in US dollars, it is exposed to foreign currency risk due to fluctuations in the exchange rate. The Company purchases goods and services and generates revenues in Canadian dollars and US dollars. Since the Company reports its results in Canadian dollars, the functional currency of the Company, it is exposed to changes in the value of the US dollar relative to that of the Canadian dollar.

As at August 31, 2020 and February 29, 2020, the Company and its subsidiaries had cash, trade and other receivables and trade and other payables denominated in US dollars as follows:

As at August 31, 2020	USD	CAD Equivalent
Cash	\$ 39,782	\$ 51,884
Trade and other receivables	25,419	33,151
Trade and other payables	(3,270)	(4,265)
	\$ 61,931	\$ 80,770

As at February 29, 2020	USD	CAD Equivalent
Cash	\$ 313,555	\$ 421,073
Trade and other receivables	30,456	40,899
Trade and other payables	(49,908)	(67,021)
	\$ 294,103	\$ 394,951

#### (v) Interest rate risk

The Company's exposure to risks of changes in market interest rates relates primarily to its cash and short-term investment balances. The Company regularly analyzes its interest rate exposure, giving consideration to potential renewals of existing positions, alternative financial positions and the mix of fixed and variable interest rates.

# PUDO Inc.

## Notes to Condensed Interim Consolidated Financial Statements Six Months Ended August 31, 2020 and 2019 (Expressed in Canadian Dollars) (Unaudited)

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### 3. Financial risk management (continued)

#### (vi) Capital risk management

The Company reviews and manages its capital position from time to time to maintain a balance between its liability and equity levels. The Company uses the capital contributed by investors to finance its working capital requirements. The Board of Directors does not establish quantitative return on capital criteria for management but rather relies on the expertise of the Company's management to sustain future developments of the business. The Company defines capital as shareholder's equity, loans and borrowings. As at August 31, 2020, the Company had a shareholders' equity of \$1,274,066 (February 29, 2020 – \$1,670,552) and loans and borrowings of \$37,722 (February 29, 2020 - \$290,086).

The Company's capital management objectives, policies and processes have remained materially unchanged during the six month period ended August 31, 2020 and year ended February 29, 2020.

#### (vii) Sensitivity analysis

Based on management's knowledge and experience in the financial markets, the Company believes the following movements are reasonably possible over the year. Sensitivity to a plus or minus 1% change in the US–Canadian dollar foreign exchange rate, based on the current US dollar denominated balances as at August 31, 2019, would affect the net loss by approximately plus or minus \$1,000 during a year.

### 4. Critical accounting estimates and judgments

The Company makes estimates and judgments that affect the reported amounts of assets and liabilities within the next year. Estimates and judgments are regularly evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The judgments, estimates and assumptions applied in the condensed interim consolidated financial statements, including the key sources of estimation uncertainty, have been updated based on information at August 31, 2020 and with particular respect to the analysis of potential impairment of the Company's assets and its ability to continue as a going concern.

#### *Intangible assets and equipment*

The useful life of intangible assets and equipment is determined by management at the time the software and equipment is acquired and brought into use and is regularly reviewed for appropriateness. For unique software products controlled by the Company, the estimated life is based on management's historical experience with similar products as well as anticipation of future events which may impact their life such as changes in technology. In the determination of carrying values and impairment charges, management looks at the higher of recoverable amount or fair value less costs to sell in the case of assets and at objective evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period end date.

#### *Income, value added, withholding and other taxes*

The Company is subject to income, value added, withholding and other taxes. Judgment is required in determining the Company's provisions for taxes. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

# PUDO Inc.

## Notes to Condensed Interim Consolidated Financial Statements Six Months Ended August 31, 2020 and 2019 (Expressed in Canadian Dollars) (Unaudited)

### 4. Critical accounting estimates and judgments (continued)

#### *Share-based compensation*

The Company measures the cost of equity-settled transactions with employees, consultants, officers and directors by reference to the fair value of the equity instruments at the date on which they are granted. Estimating fair value for share-based compensation transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. Assumptions are made and judgment is used in applying valuation techniques.

These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviours and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

### 5. Trade and other receivables

	August 31, 2020	February 29, 2020
Trade receivables	\$ 78,073	\$ 179,603
HST receivable	16,477	9,361
Other receivables	114,711	24,737
	\$ 209,261	\$ 213,701

Allowance for doubtful accounts as at August 31, 2020 was \$ 199 (February 29, 2020 – \$ nil).

### 6. Equipment

Scanners and Tablets	Cost	Accumulated Amortization	Net Book Value
<b>Balance at February 28, 2019</b>	\$ 221,870	\$ 174,431	\$ 47,439
Additions / amortization	40,029	34,526	5,503
<b>Balance at February 29, 2020</b>	\$ 261,899	\$ 208,957	\$ 52,942
Additions / amortization	43,778	25,306	18,472
<b>Balance at August 31, 2020</b>	\$ 305,677	\$ 234,262	\$ 71,414

### 7. Intangible assets

Computer Software	Cost	Accumulated Amortization	Net Book Value
<b>Balance at February 28, 2019</b>	\$ 676,923	\$ 505,603	\$ 171,320
Additions / amortization	32,475	119,109	(86,634)
<b>Balance at February 29, 2020</b>	\$ 709,398	\$ 624,712	\$ 84,686
Additions / amortization	34,625	29,042	5,583
<b>Balance at August 31, 2020</b>	\$ 744,023	\$ 653,754	\$ 90,269



# PUDO Inc.

## Notes to Condensed Interim Consolidated Financial Statements

Six Months Ended August 31, 2020 and 2019

(Expressed in Canadian Dollars)

(Unaudited)

### 8. Trade and other payables

	As at August 31, 2020	As at February 29, 2020
Trade payables	\$ 141,297	\$ 311,246
QST payable	2,186	6,610
Other payables	116,704	93,738
Accrued liabilities	85,678	96,089
	<b>\$ 345,865</b>	<b>\$ 507,683</b>

### 9. Loans and borrowings

#### (a) Loans

On March 3, 2016, the Company assumed borrowings from 640624 N.B. Ltd. (o/a Kinek) payable to Atlantic Canada Opportunities Agency. The loan is unsecured and non-interest bearing. Interest equal to 3% higher than the average Bank of Canada discount rate for the previous month is charged on any overdue balances. The present value of non-current borrowings was estimated using the effective interest rate method by discounting the future contractual cash flows at the estimated current market estimated interest rates for an equivalent instrument. The discount rate applied was 15%. The Company recorded accretion expense of \$3,842 (August 31, 2019 - \$7,014) for the six month period ended August 31, 2020. The rate used in determining the appropriate present value of the borrowings was subject to management estimation.

	August 31, 2020	February 29, 2020
Loan payable (Atlantic Canada Opportunities Agency) 9 instalments repayable at \$4,458 per month	\$ 40,122	\$ 66,870
Less: Discount future contractual cash flows	2,400	6,244
	<b>37,722</b>	60,626
Less: Current portion	37,722	47,581
	<b>\$ -</b>	<b>\$ 13,045</b>

Future repayments on the loan as at August 31, 2020 include the following:

September 1, 2020 to February 28, 2021	\$ 26,748
March 1, 2021 to June 22, 2021	13,374
	<b>\$ 40,122</b>

#### (b) Promissory Note

During the year ended February 29, 2020, the Company raised \$591,000 via a promissory note from a company with a common officer and director. The note carried an interest rate of 20% per annum, payable on demand. On November 7, 2019, \$425,000 of the promissory note was settled by the issuance of 944,445 units. Each unit entitles the holder to receive one common share of the Company and on warrant with a strike price of \$0.54 and expiration date of November 7, 2020.

# PUDO Inc.

## Notes to Condensed Interim Consolidated Financial Statements

Six Months Ended August 31, 2020 and 2019

(Expressed in Canadian Dollars)

(Unaudited)

### 9. Loans and borrowings (continued)

During the six month period ended August 31, 2020, the \$232,855 balance of the promissory note including accrued interest was fully repaid.

<b>Opening balance – February 28, 2019</b>	<b>\$</b>	<b>-</b>
Promissory note		591,000
Interest expense		63,460
Partial settlement of promissory note		(425,000)
<b>Balance – February 29, 2020</b>	<b>\$</b>	<b>229,460</b>
Interest expense		3,395
Repayment of promissory note		(232,855)
<b>Balance – August 31, 2020</b>	<b>\$</b>	<b>-</b>

### 10. Share capital

#### (a) Authorized

Unlimited number of common shares with no par value.

Unlimited number of preference shares. The preference shares are without par value, redeemable, non-voting and non-participating (none currently issued and outstanding).

#### (b) Issued

<b>Common Shares</b>	<b>Number</b>	<b>Amount</b>
<b>Balance, February 28, 2019</b>	<b>19,572,824</b>	<b>\$ 6,001,685</b>
Common shares issued (i) (ii) (iii) (iv)	6,939,025	2,259,201
<b>Balance, February 29, 2020</b>	<b>26,511,849</b>	<b>\$ 8,260,886</b>
Common shares issued (v)	120,529	270,325
<b>Balance, August 31, 2020</b>	<b>26,632,378</b>	<b>\$ 8,531,211</b>

(i) On November 7, 2019, the Company closed a non-brokered private placement financing where the company issued 333,333 units of the Company for proceeds of \$150,000. Each unit consisted of one common share and one warrant of the Company. Based on the Black Scholes valuation model, the Company valued the common shares at \$90,900 and the warrants at \$59,100.

(ii) On November 7, 2019, the Company settled \$772,000 of debt owing to a company with a common director and officer by issuing 1,715,555 units of the Company. The settled debt consisted of \$425,000 of a promissory note and \$347,000 of Trade Payables. Each unit issued consisted of one common share and one warrant of the Company. Based on the Black Scholes Model, the Company valued the common shares at \$467,831 and the warrants at \$304,169.

# PUDO Inc.

## Notes to Condensed Interim Consolidated Financial Statements

Six Months Ended August 31, 2020 and 2019

(Expressed in Canadian Dollars)

(Unaudited)

### 10. Share capital (continued)

(iii) In December 2019, the Company closed two non-brokered private placements where 180,957 units were issued for total proceeds of \$104,955. Each unit issued consisted of one common share and one warrant of the Company. Based on the Black Scholes valuation model, the Company valued the common shares at \$69,433 and valued the warrants at \$35,522.

(iv) In January 2020, the Company closed several non-brokered private placements where 4,709,180 units were issued for total proceeds of \$2,731,324. Each unit issued consisted of one common share and one warrant of the Company. Based on the Black Scholes valuation model, the Company valued the common shares at \$1,631,037 and the warrants at \$1,100,287.

(v) In August 2020, number of the Company's employees and consultants exercised their stock options. As a result, 120,529 shares at the exercise value of \$151,388 were issued. The common shares were valued at \$270,325.

### 11. Warrant reserve

The following table reflects the continuity of warrants for the six month period ended August 31, 2020 and the year ended February 29, 2020:

	Number of Warrants	Average Exercise Price
<b>Balance, February 28, 2019</b>	<b>135,626</b>	<b>\$ 2.33</b>
Warrants expired (i)	(135,626)	2.33
Warrants issued (note 10(b)(i))	333,333	0.54
Warrants issued (note 10(b)(ii))	1,715,555	0.54
Warrants issued (note 10(b)(iii))	180,957	0.69
Warrants issued (note 10(b)(iv))	4,709,180	0.69
<b>Balance, February 29, 2020</b>	<b>6,939,025</b>	<b>\$ 0.65</b>
Warrant activity during period	-	-
<b>Balance, August 31, 2020</b>	<b>6,939,025</b>	<b>\$ 0.65</b>

The following table reflects the warrants issued and outstanding as of August 31, 2020:

Expiry Date	Exercise price (\$)	Issue date fair value (\$)	Number of warrants outstanding
November 7, 2020 (note 10(b)(i)(ii))	0.54	363,269	2,048,888
December 20, 2020 (note 10(b)(iii))	0.69	35,522	180,957
January 6, 2021 (note 10(b)(iv))	0.69	41,500	172,414
January 9, 2021 (note 10(b)(iv))	0.69	152,375	633,044
January 24, 2021 (note 10(b)(iv))	0.69	906,413	3,903,722
		<b>1,499,079</b>	<b>6,939,025</b>

# PUDO Inc.

## Notes to Condensed Interim Consolidated Financial Statements Six Months Ended August 31, 2020 and 2019 (Expressed in Canadian Dollars) (Unaudited)

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### 11. Warrant reserve (continued)

- (i) On March 29, 2019, 135,626 warrants expired. The estimated grant date fair value of the warrants that expired of \$83,944 was reclassified to the deficit.

### 12. Stock option reserve

The Company maintains an employee stock option plan under which the Board of Directors, or the compensation committee of the Board of Directors, may from time to time grant to employees, officers, directors or consultants of the Company, options to acquire common shares in such numbers, for such terms and at such exercise prices, as may be determined by the Board of Directors or the compensation committee of the Board of Directors.

The stock option plan provides that the maximum number of common shares in the capital of the Company that may be reserved for issuance for all purposes under the stock option plan shall not exceed 20% of the total issued and outstanding common shares.

The following table reflects the continuity of stock options for the Six month period ended August 31, 2020 and the year ended February 29, 2020:

	Number of stock options	Exercise Price
<b>Balance, February 28, 2019</b>	<b>3,110,000</b>	<b>\$ 1.33</b>
Options expired (i)	(102,000)	1.20
Options forfeited (ii)	(10,000)	1.20
Options forfeited (ii)	(25,000)	1.20
Options forfeited (iii)	(862,500)	1.30
<b>Balance, February 29, 2020</b>	<b>2,110,500</b>	<b>\$ 1.35</b>
Options issued (vi)	225,000	1.14
Options issued (vii)	135,000	1.75
Options issued (viii)	325,000	1.20
Options exercised (ii)	(35,000)	1.20
Options exercised (iii)	(74,279)	1.30
Options exercised (vi)	(11,250)	1.14
Options expired (ii)	(140,000)	1.20
<b>Balance, August 31, 2020</b>	<b>2,534,971</b>	<b>\$ 1.35</b>

# PUDO Inc.

## Notes to Condensed Interim Consolidated Financial Statements Six Months Ended August 31, 2020 and 2019 (Expressed in Canadian Dollars) (Unaudited)

### 12. Stock option reserve (continued)

The following table reflects the actual stock options issued and outstanding as at August 31, 2020:

Expiration Date	Exercise Price (\$)	Remaining contractual life (years)	Weighted average number of options outstanding	Options vested (exercisable)	Estimated grant date fair value
October 26, 2022 (iii)	1.30	2.17	1,753,221	1,277,596	2,041,866
January 28, 2021 (v)	2.47	0.42	108,000	108,000	192,342
July 17, 2025 (vi)	1.14	4.00	213,750	64,688	223,792
July 17, 2025 (vii)	1.75	4.00	135,000	33,750	129,739
July 17, 2025 (viii)	1.20	4.00	325,000	81,250	322,030
	1.347	2.92	2,534,971	1,565,284	2,909,769

(i) In July 2017, the Company granted an aggregate of 102,000 options to directors of the Company. The options were exercisable at a price of \$1.20 per common share and vest in 25% increments quarterly with the first 25% having vested on the date of grant. The stock options expired on August 16, 2019. The grant date fair value of the stock options was estimated to be \$25,198 using the Black-Scholes valuation model with the following weighted average assumptions: expected dividend yield of 0%, expected volatility of 130%, risk-free interest rate of 1.24%, and expected life of 2.09 years. The amount of \$25,198 was reclassified to the deficit for the year ended February 29, 2020.

(ii) In July 2017, the Company granted an aggregate of 200,000 options to employees and officers of the Company. The options are exercisable at a price of \$1.20 per common share with 170,000 having vested on October 1, 2017 and 30,000 having vested on December 1, 2017. The stock options expired on August 31, 2020. The grant date fair value of the stock options was estimated to be \$61,818 using the Black-Scholes valuation model with the following weighted average assumptions: expected dividend yield of 0%, expected volatility of 130%, risk-free interest rate of 1.32%, and expected life of 3.14 years

On April 25, 2019, 5,000 options to an employee of the Company were forfeited and \$1,544 was classified to the deficit for the period ended February 29, 2020. On June 21, 2019, 5,000 options to an employee of the Company were forfeited and \$1,544 was classified to the deficit for the period ended February 29, 2020.

On February 29, 2020, 25,000 options granted to a former officer of the Company were forfeited and \$7,750 was classified to the deficit for the year ended February 29, 2020.

On August 2020, 35,000 options granted to employees and consultants were exercised at the exercise price of \$1.20. The option exercise payment for 20,000 options, was settled against accounts payable that was owed to the option holder. Cash value of account payable settled was 24,000. For remaining 15,000 options, the exercise payment was received in cash. In the same period, 140,000 of the options granted employees, director and consultants expired.

# PUDO Inc.

## Notes to Condensed Interim Consolidated Financial Statements

Six Months Ended August 31, 2020 and 2019

(Expressed in Canadian Dollars)

(Unaudited)

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### 12. Stock option reserve (continued)

(iii) In October 2017, the Company granted 2,690,000 stock options to employees, consultants, officers and directors of the Company. The options are exercisable at a price of \$1.30 per common share and will expire on October 26, 2022. Of the total issued, 225,000 were issued to directors and vested in 33.33% increments yearly with the first 33.33% having vested on February 28, 2019 and the remaining 66.67% of the options outstanding having vested by February 29, 2020. The balance of 2,465,000 options issued to officers will vest in 25% increments yearly with the first 25% having vested on February 28, 2018 and 75% of the options outstanding having vested by February 29, 2020. The grant date fair value of the stock options was estimated to be \$3,005,537 using the Black-Scholes valuation model with the following weighted average assumptions: expected dividend yield of 0%, expected volatility of 130%, risk-free interest rate of 1.76% and expected life of 5 years. On February 29, 2020, 862,500 options granted to a former officer of the Company were forfeited and \$966,000 was classified to the deficit for the year ended February 29, 2020.

On August 2020, 74,279 options granted to directors and consultants were exercised at the exercise price of \$1.30. The option exercise payment for 44,279 options, was settled against accounts payable that was owed to the option holder. Cash value of accounts payable settled was \$57,563. For remaining 41,250 options, the exercise payment was received in cash.

(iv) In July 2017, the Company granted 20,000 options to an officer of the Company in lieu of debt of \$20,000. The vesting date was October 1, 2017. The options are exercisable at a price of \$1.20 per common share. The stock options will expire on November 30, 2020. For the year ended February 29, 2020, \$nil was recorded as share-based compensation in the consolidated statement of loss.

(v) In January 2018, the Company granted 108,000 stock options to consultants of the Company. The options were exercisable at a price of \$2.47 per common share and will expire on January 28, 2021. The options vest in 50% increments yearly with the first 50% having vested on November 1, 2018 and the remainder having vested on November 1, 2019. The grant date fair value of the stock options was estimated to be \$192,342 using the Black-Scholes valuation model with the following weighted average assumptions: expected dividend yield of 0%, expected volatility of 130%, risk-free interest rate of 1.79%, and expected life of 3 years. For the year ended February 29, 2020, \$34,972 was recorded as share-based compensation in the consolidated statement of loss.

(vi) In July 2020, the Company granted 225,000 stock options to directors of the Company. The options were exercisable at a price of \$1.14 per common share and will expire on July 17, 2025. The options vest in 25% increments yearly with the first 25% having vested on July 17, 2020. The grant date fair value of the stock options was estimated to be \$ 223,792 using the Black-Scholes valuation model with the following weighted average assumptions: expected dividend yield of 0%, expected volatility of 152%, risk-free interest rate of 0.18%, and expected life of 4 years. In August 2020, 11,250 of options these options were exercised.

(vii) In July 2020, the Company granted 135,000 stock options to employees and consultants of the Company. The options were exercisable at a price of \$1.75 per common share and will expire on July 17, 2025. The options vest in 25% increments yearly with the first 25% having vested on July 17, 2020. The grant date fair value of the stock options was estimated to be \$ 129,739 using the Black-Scholes valuation model with the following weighted average assumptions: expected dividend yield of 0%, expected volatility of 152%, risk-free interest rate of 0.18%, and expected life of 4 years.

(viii) In July 2020, the Company granted 325,000 stock options to a consultant of the Company. The options were exercisable at a price of \$1.20 per common share and will expire on July 17, 2025. The options vest in 25% increments yearly with the first 25% having vested on July 17, 2020. The grant date fair value of the stock options was estimated to be \$ 322,030 using the Black-Scholes valuation model with the following weighted average assumptions: expected dividend yield of 0%, expected volatility of 152%, risk-free interest rate of 0.18%, and expected life of 4 years.

# PUDO Inc.

## Notes to Condensed Interim Consolidated Financial Statements

Six Months Ended August 31, 2020 and 2019

(Expressed in Canadian Dollars)

(Unaudited)

### 12. Stock option reserve (continued)

(xi) For the six month period ended August 31, 2020, \$117,574 was recorded as share-based compensation in the consolidated statement of loss.

### 13. Expenses categorized by nature

Cost of sales	Three Months Ended August 31,		Six Months Ended August 31,	
	2020	2019	2020	2019
External processing charges	\$ 167,488	\$ 82,975	\$ 373,252	\$ 150,170
Computer and web access charges	2,310	3,248	5,701	6,430
	\$ 167,797	\$ 86,223	\$ 378,953	\$ 156,600

Administrative expenses	Three Months Ended August 31,		Six Months Ended August 31,	
	2020	2019	2020	2019
Salaries and Benefits	\$ 127,530	\$ 267,972	\$ 288,261	\$ 571,301
General and administrative expenses	51,789	46,119	106,814	91,321
Accounting and office	37,319	41,850	78,718	83,700
Consulting Fees	29,676	40,689	63,842	83,117
Travel promotion and business development	26,929	29,736	55,085	64,557
Investor relations	23,743	2,125	35,804	14,253
Professional fees	21,095	28,189	45,965	56,714
Agent and filing fees	15,389	13,278	27,600	23,590
Foreign exchange loss (gain)	1,871	1,911	(13,184)	3,269
Amortization (notes 7 and 8)	19,873	40,861	54,348	80,843
	\$ 355,214	\$ 512,730	\$ 743,253	\$ 1,072,665

### 14. Related party balances and transactions

During the three and six month periods ended August 31, 2020 and 2019, the Company incurred accounting fees and office rental, which is included in accounting and office expense, of \$29,850 and \$59,700 (August 31, 2019 - \$41,850 and 83,700), respectively to a company with a common officer and director.

# PUDO Inc.

## Notes to Condensed Interim Consolidated Financial Statements Six Months Ended August 31, 2020 and 2019 (Expressed in Canadian Dollars) (Unaudited)

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### 14. Related party balances and transactions (continued)

During the three and six month periods ended August 31, 2020 and 2019, the Company had the following transactions with shareholders, management and directors:

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	Three Months Ended		Six Months Ended	
	August 31,		August 31,	
	2020	2019	2020	2019
Share Based Compensation	\$ 78,223	\$ 153,789	\$ 117,574	\$ 307,578
Salaries and benefits	49,806	172,938	83,484	346,725
Consulting fees	11,676	11,089	23,842	23,117
	\$ 139,705	\$ 337,816	\$ 224,900	\$ 677,420

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As at August 31, 2020, balances payable to the related parties noted above amounted to \$32,644 (February 29, 2020 - \$140,313) and are included in trade and other payables. These balances are unsecured, non-interest bearing and are due on demand.

All related party transactions were made on terms equivalent to those that would prevail in arm's length transactions.

See also note 8, 9 and 12.

### 15. Commitments and contingencies

The Company has entered into various agreements for services, which if terminated by the Company would not have any significant impact on the Company's financial statements. These amounts have not been accrued in the condensed interim consolidated financial statements as at August 31, 2020.



**PUDO INC.**

**INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS**

**QUARTERLY HIGHLIGHTS**

**FOR THE THREE AND SIX MONTH PERIODS ENDED**

**August 31, 2020 and 2019**

**(EXPRESSED IN CANADIAN DOLLARS)**

**Prepared by:**

**PUDO Inc.**

**6600 Goreway Drive Unit D, Mississauga,  
Ontario, Canada L4V 1S6**

**PUDO Inc.**  
**Interim Management's Discussion & Analysis - Quarterly Highlights**  
**Three and six month periods ended August 31, 2020**  
**Discussion dated: September 21, 2020**

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## Introduction

The following interim Management's Discussion and Analysis – Quarterly Highlights (the “Quarterly Highlights”) of the financial condition and results of the operations of PUDO Inc. (“PUDO” or the “Company”) constitutes management's review of the factors that affected the Company's financial and operating performance for the three and six month periods ended August 31, 2020 (“Q2 FY 2021”), together with certain trends and factors that are expected to have an impact in the future.

These Quarterly Highlights have been prepared in compliance with the requirements of section 2.2.1 of Form 51-102F1, in accordance with National Instrument 51-102 - Continuous Disclosure Obligations. This discussion should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements for the three and six month periods ended August 31, 2020, the audited annual consolidated financial statements of the Company for the years ended February 29, 2020 and February 28, 2019, together with the notes thereto, and the Management's Discussion and Analysis (“Annual MD&A”) Report of the Company for the year ended February 29, 2020. All dollar amounts are expressed in Canadian dollars unless otherwise noted.

The Company's condensed interim unaudited financial statements and financial information contained in these Quarterly Highlights were prepared in compliance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting as issued by the International Accounting Standards Board (“IASB”) using the accounting policies the Company adopted in its annual consolidated financial statements as at and for the year ended February 29, 2020, except for the adoption of new standards effective as of March 1, 2020 and interpretations issued by the IFRS Interpretations Committee (“IFRIC”).

The Company's fiscal year end is February 28.

Further information regarding the Company and its operations are available on the Company's website at [www.pudopoint.com](http://www.pudopoint.com) and under the Company's SEDAR issuer profile at [www.sedar.com](http://www.sedar.com), or upon request to the Company at 6600 Goreway Drive Unit D, Mississauga, Ontario, Canada, L4V 1S6.

## Description of Business

PUDO is listed on the Canadian Securities Exchange (“CSE”) under the symbol “PDO” and on the OTCQB exchange under the symbol “PDPTF”.

PUDO's purpose is to improve the connection between e-commerce and consumers. PUDO deploys their technology to provide consumers with convenient locations to Pick-Up or Drop-Off (“PUDO” or “Network”) e-commerce parcels. Through collaboration with online retailers, third party logistics companies (“3PL”), Software as a Service (“SaaS”) providers, and courier companies, consumers can take secure delivery of their parcels or drop-off returns where, and when, it's convenient for them.

Existing businesses, such as convenience stores or gas stations, provide services as a PUDOpoint™ (a “PUDOpoint”). PUDOpoints are typically open extended hours, seven days a week to make it convenient for busy consumers to quickly and efficiently collect what they've ordered online or drop off what they need to return. The Company deploys its technology to provide consumers with convenient PUDOpoints (the “Network”) to pick-up or drop-off (“PUDO”) e-commerce parcels.

PUDO's services provide courier companies and retailers with a presence in a broad variety of locations to better serve their customers. Not only convenient, these services can also save money. Couriers don't have to attempt delivery a second or third time or make other arrangements with customers who aren't home. Retailers can ship directly to PUDOpoints saving residential delivery costs and reducing the risk of theft or spoilage. PUDO also helps retailers reduce the cost and increase the convenience of their returns program. Consumers can drop off pre-labeled parcels at any PUDOpoint for processing back to the retailer.

### Cautionary Note Regarding Forward-Looking Information

These Quarterly Highlights contain certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements related to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements address possible future events, conditions and financial performance based upon management's current expectations, estimates, projections and assumptions.

Management of the Company considers the assumptions on which the forward-looking information contained herein are based to be reasonable. However, by its very nature, forward-looking statements inherently involve known and unknown risks and uncertainties that may cause actual results to differ materially from those expressed or implied by such forward-looking statements. Such risks include, without limitation those risks discussed in the "Risk Factors" section of PUDO's Annual MD&A dated May 28, 2020.

All forward-looking statements herein are expressly qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The forward-looking statements in these Quarterly Highlights are made only as of the date of these Quarterly Highlights or as of the date specified in such statement. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

### Highlights

The World Health Organization declared a global emergency on January 30, 2020 as a result of the 2019 novel coronavirus ("COVID-19"), then characterized it as a pandemic on March 11, 2020. The outbreak spread globally causing companies and various jurisdictions, including Canada and the United States, to impose restrictions, such as quarantines, closures, cancellations, and travel restrictions including closing the Canada – United States border. While these effects were expected to be temporary, the duration of the business disruptions and related financial impact cannot be reasonably estimated at this time. At this point, the extent to which COVID-19 may impact the Company's results and business for fiscal year 2021, including parcel volumes, is unclear, PUDO's consolidated results in Q2 FY 2021 have been negatively impacted by this event. The impacts of the outbreak continues to be unknown. The extent of the impact will depend on future developments.

Below are a few Company highlights during Q2 FY 2021:

- Revenue was up 17.3% compared to the same quarter in the prior fiscal year as a result of increased For Pickup ("FPU") drop-offs and returns parcel volume that utilized the PUDOpoint Counter network along with other new services provided by PUDO and integrated by partners into their delivery / pickup services. This revenue increase was offset, as compared to the prior fiscal year, by decreased Failed First Attempt ("FFA") parcel volume and border member decreased shipments as member US parcel shipments were directly impact by COVID-19 and the Canada-US border closure for the entire quarter.
- The Company launched a new pilot program with a large e-commerce retailer providing 107 Canadian PUDOpoint Counter locations that are displayed as available alternative delivery locations for the retailer's Canadian customer checkout process.

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- 📍 The Company continued to add PUDOpoint Counter locations in the USA for a large USA e-commerce retailer, bringing the total to 446 PUDOpoint Counters that are displayed as available alternative delivery locations for the retailer's USA customer checkout process. With these locations, PUDO will eventually add their own PUDO services for additional parcel volume, resulting in additional revenue for both the Company and the PUDOpoint Counter locations.
- 📍 The Company and a large nationally recognized Canadian courier partner continued a phased launch process that onboarded an additional 125 PUDOpoint Counter locations available for Failed First Attempt and Direct to PUDO parcels for the courier's customers. Additional locations will continue to be added during the next quarter in strategic regional locations.
- 📍 In July 2020, the Company granted a total of 685,000 stock options that expire July 17, 2025. These stock options vest in 25% increments annually, with the first 25% having vested on July 17, 2020. 225,000 of the stock options were granted to directors of the Company at an exercise price of \$1.14 per common share. 135,000 of the stock options were granted to employees and consultants of the Company at a price of \$1.75 per common share. 325,000 of the granted stock options were issued to a consultant of the Company exercisable at a price of \$1.20 per common share.
- 📍 In August 2020, 35,000 options previously granted to an employee and consultants were exercised at \$1.20 per share. An option exercise payment for 20,000 options, was settled against \$24,000 in accounts payable that was owed to the option holder. For the remaining 15,000 options, the exercise payment was received in cash.
- 📍 Also in August 2020, 74,279 options previously granted to a director and a consultant were exercised at \$1.30 per share. An option exercise payment for 44,279 options, was settled against \$57,563 in accounts payable that was owed to the option holder. For the remaining 30,000 options, the exercise payment was received in cash. 11,250 options previously granted to a director were exercised at \$1.14 per share and received in cash. On August 31, 2020, 140,000 stock options previously granted expired.
- 📍 The Company retained the services of Renmark Financial Communications Inc. to assist with managing PUDO's investor relations and media activities. In consideration of the services to be provided, the monthly fees incurred by the Company is cash consideration of up to \$8,500 monthly, effective August 1, 2020 for a period of six months ending on February 28, 2021 and monthly thereafter if mutually agreed.
- 📍 PUDO CEO Frank Coccia presented at the OTCQB Venture Company Virtual Investor Conference on August 6, 2020. Click the below link to view other interviews and presentations during Q2 FY 2021 <https://www.pudopoint.com/investors/presentations/>.
- 📍 The Company launched a newly designed website including an enhanced [Investor section](#). The Company will continue to update content with helpful information, articles, newsletters, and Issuer announcements. Visit [www.pudopoint.com](http://www.pudopoint.com).

## Operations

### ***PUDOpoint Network***

The Company continued to develop the PUDOpoint Counter network within Canada and the United States while working closely with current partners, identifying strategic areas where they required locations to support their various programs to customers. New locations have been activated where partners have indicated a need for PUDO's services, including Failed First Attempts, returns, 3PL parcel shipments, and Hub Counters. This has been minimally offset by PUDOpoint Counter locations that have had operations suspended due to COVID-19. As well, PUDO continues to expand and develop its database of registered

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PUDOpoint Counter locations that are ready to be activated in support of PUDO partners as they expand into those services and regions.

***Parcel Volume Analysis***

Parcel volume and other factors within the e-commerce ecosystem can affect PUDO's goals and performance during its continued growth and evolution. During Q2 FY 2021 the COVID-19 pandemic impacted overall parcel volume being delivered within the PUDO Network. With most businesses shut down and employees working from home, first time delivery failures decreased as someone was at home to accept packages, reducing the requirement for an alternative delivery location. PUDO's Network is comprised mainly of convenience stores that were deemed essential services. This allowed PUDO's partners to successfully utilize alternative delivery locations when they did require the Network. During Q2 FY 2021, the PUDOpoint Counter network continued to be available during COVID-19 due to convenience stores being recognized as an essential service location. The PUDOpoint Counters supported their local communities as a safe haven for parcel deliveries, returns, or donations. Additionally, during August 2020, one of the Company's courier partners experienced a severe technology operational issue that impacted their delivery operations for almost two weeks, which impacted PUDO's Failed First Attempt parcel volume.

While the Company continued to strategically manage the growth and development of the PUDOpoint Counter network throughout Q2 FY 2021, overall parcel volume decreased by 24.5% compared to the three month period ended August 31, 2019 ("Q2 FY 2020"). In sequential quarters, overall parcel volume volumes in Q2 FY 2021 as compared to Q1 FY 2021 decreased by 5.1% as COVID-19 continued to impact some services. During this quarter, Q2 FY 2021, partner shipments increased 11.1% over the same quarter in the previous year. During the same three month period, border member shipment volumes were down 79.2% as a result of the Canada USA border being closed to non-essential travel due to the COVID-19 pandemic. In Q2 FY 2021, partner shipments represented 89.1% of the Company's total volumes, up from 60.6% in the same quarter in the prior fiscal year.

During the six months ended August 31, 2020 overall parcel volumes decreased by 18.6% relative to the six months ended August 31, 2019 in the prior year, primarily as a result of the 70.9% decrease in border member shipments due to the Canada USA border being closed to non essential travel.

Below is a summary of PUDO's current parcel services being utilized by partners and customers:

- 📍 ***Courier Pickup Parcels:*** During Q2 FY 2021, PUDO courier pickup service at PUDOpoint locations continued to see growth with parcel volume increasing by 337.8% compared to Q2 FY 2020. This is a result of a large customer continuing to expand their use of PUDOpoint Counter locations as drop off locations for courier and customer pickups. In sequential quarters, courier pickup parcel volumes in Q2 FY 2021 as compared to Q1 FY 2021 increased by 26.8% as this service continues to expand.
- 📍 ***Third Party Logistics ("3PL") Parcels:*** During Q2 FY 2021, 3PL parcel shipments increased 100% relative to the prior year, Q2 FY 2020. In sequential quarters, 3PL parcel shipments in Q2 FY 2021 as compared to Q1 FY 2021 decreased by 24.6%. The decrease was a result of a PUDO partner experiencing a severe technology issue that curtailed their delivery operations for approximately a two week period in August 2020.
- 📍 ***Failed First Attempts ("FFA") Parcels:*** During Q2 FY 2021 total FFA parcel volume decreased by 27.5% relative to Q2 FY 2020. In sequential quarters, parcel volumes in Q2 FY 2021 compared to Q1 FY 2021 decreased by 3.5%. This decrease between these sequential quarters is related to the ongoing impact of COVID-19 and customers being home to accept their parcels, reducing the requirement of redirects to PUDOpoint locations.
- 📍 ***Returns Parcels:*** During Q2 FY 2021 returns parcels increased by 202% as compared to the prior year, Q2 FY 2020. In sequential quarters, returns parcel volume in Q2 FY 2021 as compared to Q1 FY 2021 increased by 200.4%. These increases resulted from a PUDO partner adding new clients to the PUDO returns service, thereby reducing returns costs for their clients.

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- 📍 **Member Parcels:** During Q2 FY 2021 total member parcel volume decreased by 79.2% relative to Q2 FY 2020. Again, this decrease is a direct result of COVID-19 and the closure of the Canada – USA border to non-essential travel during the quarter. In sequential quarters, parcel volumes in Q2 FY 2021 compared to Q2 FY 2020 decreased by 37%, again due to COVID-19 and the border closure.
- 📍 **Hub Counter Parcels:** As a result of a successful program with a large USA e-commerce retailer, that began in Q4 FY 2020, with access currently at 446 USA PUDOpoint Counter locations and expanding daily, the retailer made the decision to launch a pilot program within their Canadian e-commerce division. In July 2020, 107 Canadian PUDOpoints were approved for the retailer's Canadian customers. As a result of this combined parcel volume during Q2 FY 2021 Hub Counter parcel volume increased by 301.7% over the prior quarter, Q1 FY 2021.

As PUDO continues to maintain and expand its services, a greater number of stakeholder partners and consumer members should minimize parcel losses and reduce dependence on specific carriers as PUDO provides a courier agnostic network of locations.

### **Outlook**

Notwithstanding the three factors affecting e-commerce logistics during the six month period ending August 31, 2020 i.e.: the force majeure grade global COVID-19 pandemic, the Canada-US border closure, and the technology-triggered near total shut-down of a major partner's operations for two weeks, the Company maintained its PUDOpoint Counters Network expansion trajectory in both Canada and the United States, and grew its North American Network by 21.4%

This growth demonstrated both critical resilience within the e-commerce ecosystem, and essentially, confirmation of major partner dependence on the agnostic parcel pick-up and drop-off Network model itself. As e-commerce continues to grow beyond forecasts both in popularity and on necessity, the greater PUDOpoint Counters Network, itself activated on partner volume, is attracting the attention of new major players within the ecosystem.

The performance metrics as reported in Q1 and Q2 FY 2021 indicate that, as the Network expands in tandem, in numbers of PUDOpoint Counters, number of stakeholder partners, and associated parcel volumes, the potential negative impacts experienced by any individual partner or of the industry or economy, should be mitigated, allowing the Company to attain and increase profitability as it continues to scale quickly, growing its core asset of networked agnostic PUDOpoint Counters.

“As a Company, we maintain focus on growth and conservative spending as we continue to pursue our end goal of activating 15,000 to 18,000 PUDOpoint Counters by the end of 2023,” says PUDO CEO Frank Coccia. “I am supremely confident, having successfully negotiated these past six months, that our business plan is sound and that we are on the right path.”

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**Financial Condition and Performance**

**Financial Performance**

A summary of selected financial information for the three and six month periods ended August 31, 2020 and 2019 is included below:

**PUDO Inc.**

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss  
(Expressed in Canadian Dollars)  
(Unaudited)

	Three Months Ended August 31,		Six Months Ended August 31,	
	2020	2019	2020	2019
Revenue	\$ 269,685	\$ 229,971	\$ 583,318	\$ 444,950
Cost of sales	(169,796)	(86,223)	(378,953)	(156,600)
<b>Gross profit</b>	<b>99,889</b>	143,748	<b>204,365</b>	288,350
Administrative expenses	(355,214)	(512,730)	(743,253)	(1,072,665)
Share-based compensation*	(78,223)	(153,789)	(117,574)	(307,578)
<b>Operating loss</b>	<b>(333,548)</b>	(522,771)	<b>(656,462)</b>	(1,091,893)
Finance costs	(2,720)	(60,198)	(8,985)	(90,686)
<b>Net loss and comprehensive loss for the period</b>	<b>\$ (336,268)</b>	\$(582,969)	<b>\$ (665,447)</b>	\$(1,182,579)
<b>Loss per share - basic and diluted</b>	<b>\$ (0.01)</b>	\$ (0.03)	<b>\$ (0.02)</b>	\$ (0.06)

\*non-cash expense related to the amortization of performance options for directors, management, and employees.

During the three month period ended August 31, 2020, revenue was \$269,685 (August 31, 2019 - \$229,971), representing an increase of 17.3% over the same period last year due to new partner volumes and the successful sale of additional PUDO services to other partners, offset by the decrease in Failed First Attempt parcels to PUDOpoint Counter Locations as a result of a higher number of consumers being at home to accept their parcels during COVID-19 and as a result of the Canada USA border being closed to non-essential travel due to COVID-19. For the six months ended August 31, 2020, revenue increased \$138,368 to \$583,318 representing a 31.1% increase over the same period in the prior year as a result of the increase in returns and 3PL PUDO services.

Gross profit for the three month period ended August 31, 2020 was \$99,889 (August 31, 2019 - \$143,748) representing a decrease of \$43,859 or 30.5% over the same period last year. This is a result of new parcel services for 3PL parcel shipment processing and the fixed costs associated with the shipping fees, which generates a lower gross profit margin than PUDO's FFA, FPU, and border member parcels.

During the three month period ended August 31, 2020, the Company reported a net loss of \$336,268 (\$0.01 basic and diluted loss per share), a decrease of \$246,701 compared with a net loss of \$582,969 (\$0.03 basic and diluted loss per share) in the corresponding quarter in the prior fiscal year. Most of this decreased loss was attributable to a reduction in administrative expenses as a result of the decrease in salaries due to the changes in senior management and the non-cash expense related to share-based compensation.

The net loss for the six months ended August 31, 2020 was \$665,447 (\$0.02 basic and diluted loss per share), a decrease from a net loss of \$1,182,579 (\$0.06 basic and diluted loss per share) in the corresponding quarter in the prior fiscal year, again primarily due to a reduction in salaries and benefits

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costs overall and non-cash share-based compensation relative to the corresponding period of the prior fiscal year.

Administrative expenses for the three and six month periods ended August 31, 2020 were \$355,214 and \$743,253 (August 31, 2019- \$512,730 and \$1,072,665), respectively, representing a decrease relative to the corresponding periods in the prior fiscal year. These cost decreases relate primarily to the impact of the reduction in senior management and salaries and benefits costs overall during the three and six month periods as compared to the prior year.

Non-cash share-based compensation for the three and six month periods ended August 31, 2020 was recorded as \$78,233 and \$117,574 (August 31, 2019 - \$153,789 and \$307,578), respectively, representing a decrease relative to the corresponding periods in the prior fiscal year.

**Financial Condition**

As at August 31, 2020, the Company had total assets of \$1,657,653 (February 29, 2020 - \$2,468,321). This decrease was primarily attributed to the related costs associated with operations and repayment of debt owing to a company with a common officer and director during the quarter.

The Company had a working capital surplus of \$1,112,383 (February 29, 2020 – \$1,545,969), had not yet achieved profitable operations, had used cash in operating activities of \$586,242 for the six month period ended August 31, 2020 (August 31, 2019 - \$443,235), had a deficit of \$10,780,096 as at August 31, 2020 (February 29, 2020 - \$10,159,033) and had a shareholders' equity of \$1,274,066 (February 29, 2020 – \$1,670,552). The continuing operations of the Company are dependent upon its ability to commence profitable operations and raise adequate financing in the future. While the Company has been successful in raising the necessary funding to continue operations in the past, there is no assurance that it will be able to do so in the future.

**Cash Flows**

During the six months ended August 31, 2020, cash decreased by \$845,436 to \$1,183,873 (February 29, 2020 – \$2,038,493) due to \$586,242 cash used in operating activities, \$78,403 in cash used in investing activities and a total of \$181,231 in financing opportunities with cash repayments of \$252,364 on a note payable previously provided by a company with a common officer and director, offset by \$71,133 in cash proceeds from the exercise of options.

**Liquidity and Capital Resources**

As noted in the Annual MD&A and previous Quarterly Highlights, the Company generates limited cash from operations. The Company's primary source of cash to date has been through convertible debentures, a promissory note and more recently through equity financings. The Company's outstanding loans and borrowings as at August 31, 2020 consist of the following:

	<b>August 31, 2020</b>	<b>February 29, 2020</b>
Loan payable (Atlantic Canada Opportunities Agency)		
9 instalments repayable at \$4,458 per month	\$ 40,122	\$ 66,870
Less: Discount future contractual cash flows	<b>2,400</b>	6,244
	<b>37,722</b>	60,626
Less: Current portion	<b>37,722</b>	47,581
	\$ -	\$ 13,045



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Future repayments on the loan as at August 31, 2020 include the following:

September 1, 2020 to February 28, 2021	\$	26,748
March 1, 2021 to June 22, 2021		13,374
	\$	<u>40,122</u>

During the six month period ended August 31, 2020, the \$232,855 balance of the promissory note including accrued interest from a company with a common officer and director was fully repaid.

<b>Opening balance – February 29, 2019</b>	<b>\$</b>	<b>-</b>
Promissory note		591,000
Interest expense		63,460
Partial settlement of promissory note		(425,000)
<b>Balance – February 29, 2020</b>	<b>\$</b>	<b>229,460</b>
Interest expense		3,395
<b>Total</b>	<b>\$</b>	<b>232,855</b>
Repayment of promissory note		(232,855)
<b>Balance – August 31, 2020</b>	<b>\$</b>	<b>-</b>

The Company has a history of successfully raising the capital needed to operate and believes it can continue to raise any necessary capital. However, the history of losses reflects material uncertainty which may cast significant doubt on the ability of the Company to continue to operate as a going concern.

The unaudited condensed interim consolidated financial statements for the three and six month periods ended August 31, 2020 have been prepared with the assumption that the Company will continue operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the course of operations. They do not include any adjustments that may be required if it were not able to continue as a going concern. The Company's financial statements for the year ended February 29, 2020 contain an emphasis of matter paragraph in its audit opinion related to its ability to continue as a going concern. Management believes that actions currently being taken, which primarily involve increasing revenues, controlling expenses, and raising additional capital will allow the Company to achieve profitability and allow the Company to continue as a going concern.

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**Related Party Transactions**

During the three and six month periods ended August 31, 2020 and 2019, the Company had the following transactions with shareholders, management, and directors:

	Three Months Ended August 31,		Six Months Ended August 31,	
	2020	2019	2020	2019
Salaries and benefits	\$ 49,806	\$ 172,938	\$ 83,484	\$ 346,725
Consulting fees	11,676	11,089	23,842	23,117
Share-based compensation	78,223	\$ 153,514	117,574	307,578
	<b>\$ 139,705</b>	<b>\$ 337,816</b>	<b>\$ 224,900</b>	<b>\$ 677,420</b>

During the three and six month periods ended August 31, 2020 and 2019, the Company incurred accounting fees and office rental, which is included in accounting and office expense, of \$29,850 and \$59,700 (August 31, 2019 - \$41,850 and \$83,700), respectively to a company with a common officer and director.

As at August 31, 2020, balances payable to the related parties noted above amounted to \$32,644 (February 29, 2020 - \$315,099) and are included in trade and other payables. These balances are unsecured, non-interest bearing and are due on demand.

All related party transactions were made on terms equivalent to those that would prevail in arm's length transactions.

**Subsequent events**

The Company evaluated subsequent events through September 21, 2020, the date these Interim Management's Discussion & Analysis - Quarterly Highlights were approved and authorized for issue. There were no material subsequent events that required recognition or additional disclosure in the Interim Management's Discussion & Analysis - Quarterly Highlights.

**Risk Factors**

The Annual MD&A for the year ended February 29, 2020, dated May 28, 2020 and filed on SEDAR ([www.sedar.com](http://www.sedar.com)), sets out a brief summary of certain risk factors for which adverse occurrences may have a material impact on the Company's future financial performance. We draw our readers' attention to that disclosure of risk factors. No significant changes to those risk factors have occurred in the 2021 fiscal year and to the date of this report, other than the impact of the COVID-19 pandemic on the general North American economy, and more specifically on PUDO's operations. This continues to be monitored by PUDO's management team as their customers, partners and members deal with the impact of the COVID-19 pandemic.