
PUDO INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE THREE AND NINE MONTH PERIODS ENDED
NOVEMBER 30, 2020**

(EXPRESSED IN CANADIAN DOLLARS)

(UNAUDITED)

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)**

| As at | Notes | November 30, 2020 | February 29, 2020 |
|---|--------------|------------------------------|------------------------------|
| Assets | | | |
| Current assets | | | |
| Cash | | \$ 848,867 | \$ 2,038,493 |
| Restricted short-term investment | | 25,504 | 25,378 |
| Trade and other receivables | 3, 5 | 304,979 | 213,701 |
| Prepaid expenses and deposits | | 61,425 | 53,121 |
| Total current assets | | 1,240,775 | 2,330,693 |
| Non-current assets | | | |
| Equipment | 6 | 68,681 | 52,942 |
| Intangible assets | 7 | 99,725 | 84,686 |
| Total assets | | \$ 1,409,181 | \$ 2,468,321 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 8, 14 | \$ 386,711 | \$ 507,683 |
| Loans and borrowings | 9 | 25,613 | 277,041 |
| Total current liabilities | | 412,324 | 784,724 |
| Non-current liabilities | | | |
| Loans and borrowings | 9 | - | 13,045 |
| Total liabilities | | 412,324 | 797,769 |
| Shareholders' equity | | | |
| Share capital | 10 | 8,747,353 | 8,260,886 |
| Warrant reserve | 11 | 1,128,537 | 1,499,079 |
| Stock option reserve | 12 | 2,104,747 | 2,069,620 |
| Deficit | | (10,983,780) | (10,159,033) |
| Shareholders' equity | | 996,857 | 1,670,552 |
| Total liabilities and shareholders' equity | | \$ 1,409,181 | \$ 2,468,321 |

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 November 30 | | Nine Months Ended November 30 | |
|--|-------|-----------------------------------|---------------------|----------------------------------|----------------------|
| | Notes | 2020 | 2019 | 2020 | 2019 |
| Revenue | 3 | \$ 485,087 | \$ 277,567 | \$ 1,068,405 | \$ 722,517 |
| Cost of sales | 13 | (343,226) | (122,866) | (722,179) | (279,466) |
| Gross profit | | 141,861 | 154,701 | 346,226 | 443,051 |
| Administrative expenses | 13 | (604,558) | (407,419) | (1,345,166) | (1,480,084) |
| Share-based compensation | 12 | (80,874) | (149,418) | (198,448) | (456,996) |
| Operating loss | | (543,571) | (402,136) | (1,197,388) | (1,494,029) |
| Finance costs | 9 | (1,264) | (38,763) | (10,249) | (129,449) |
| Net loss and comprehensive loss for the period | | \$ (544,835) | \$ (440,899) | \$ (1,207,637) | \$(1,623,478) |
| Loss per share - basic and diluted | | \$ (0.02) | \$ (0.02) | \$ (0.05) | \$ (0.08) |
| Weighted average number of shares outstanding - basic and diluted | | 26,846,016 | 21,621,712 | 26,846,016 | 21,621,712 |

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 |
|---|--------------------------|---------------------|--------------------|-------------------------|---|-----------------------|--------------------|
| Balance, February 28, 2019 | 19,572,824 | \$ 6,001,685 | \$ 83,944 | \$ 2,473,983 | \$ 31,624 | \$(9,248,236) | \$(657,000) |
| Share-based compensation (note 12) | - | - | - | 456,996 | - | - | 456,996 |
| Broker warrants expired (note 11) | - | - | (83,944) | - | - | 83,944 | - |
| Issuance of common shares in private placement (note 10) | 333,333 | 90,900 | 59,100 | - | - | - | 150,000 |
| Issuance of common shares in lieu of debt (note 10) | 1,715,555 | 467,831 | 304,169 | - | - | - | 772,000 |
| Re-issuance of convertible debenture | - | - | - | - | 2,974 | 7,410 | 10,384 |
| Options forfeited (note 12) | - | - | - | (28,285) | - | 28,285 | - |
| Net loss for the nine month period ended November 30, 2019 | - | - | - | - | - | (1,623,478) | (1,623,478) |
| Balance, November 30, 2019 | 21,621,712 | 6,560,416 | 363,269 | 2,902,694 | 34,598 | (10,752,075) | (891,098) |
| Share-based compensation (note 12) | - | - | - | 140,676 | - | - | 140,676 |
| Issuance of common shares in private placement (note 10) | 4,890,137 | 1,700,470 | 1,135,810 | - | - | - | 2,836,280 |
| Partial Payment of convertible debentures | - | - | - | - | (34,598) | - | (34,598) |
| Options forfeited (note 12) | - | - | - | (973,750) | - | 973,750 | - |
| Net loss for the three month period ended February 29, 2020 | - | - | - | - | - | (380,708) | (380,708) |
| Balance, February 29, 2020 | 26,511,849 | 8,260,886 | 1,499,079 | 2,069,620 | - | (10,159,033) | 1,670,552 |
| Share-based compensation (note 12) | - | - | - | 198,448 | - | - | 198,448 |
| Stock options exercised (note 12) | 120,529 | 270,325 | - | (118,938) | - | - | 151,387 |
| Warrants exercised | 169,194 | 128,144 | (32,036) | - | - | - | 96,108 |
| Broker warrants expired (note 11) | - | - | (338,506) | - | - | 338,506 | - |
| Options forfeited (note 12) | - | - | - | (44,383) | - | 44,384 | 1 |
| Issuance of shares to settle payable to vendor (note 10) | 44,444 | 87,998 | - | - | - | - | 87,998 |
| Net loss for the nine month period ended November 30, 2020 | - | - | - | - | - | (1,207,637) | (1,207,637) |
| Balance, November 30, 2020 | 26,846,016 | \$ 8,747,353 | \$1,128,537 | \$ 2,104,747 | \$ - | \$(10,983,780) | \$ 996,857 |

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 | Nine Months Ended November 30, 2020 | Nine Months Ended November 30, 2019 |
|--|-------|--|--|
| Cash flows used in operating activities | | | |
| Net loss for the period | | \$ (1,207,637) | \$ (1,623,478) |
| Adjustments for: | | | |
| Amortization | 6, 7 | 75,687 | 119,069 |
| Accretion expense | 9 | 10,249 | 126,528 |
| Share-based compensation | 12 | 198,448 | 456,996 |
| Allowance for doubtful accounts | | 651 | 510 |
| Net change in working capital: | | | |
| Restricted short-term investment | | (126) | - |
| Trade and other receivables | | (91,278) | (67,440) |
| Prepaid expenses and deposits | | (8,304) | 29,778 |
| Trade and other payables | | 49,249 | 272,593 |
| Cash flows used in operating activities | | (973,061) | (685,444) |
| Cash flows used in investing activities | | | |
| Purchase of equipment | 6 | (54,965) | (26,787) |
| Purchase of intangible assets | 7 | (51,500) | (25,125) |
| Cash flows used in investing activities | | (106,465) | (51,912) |
| Cash flows provided by (used in) financing activities | | | |
| Proceeds from exercise of warrants and options | 11,12 | 167,241 | - |
| Proceeds from director or officer | 9 | - | 50,000 |
| Transaction costs incurred for private placement | 10,11 | - | 150,000 |
| Proceeds from issuance of note payable | 9 | - | 591,000 |
| Repayment of advances payable and borrowings | 9 | (252,364) | (40,118) |
| Cash flows provided by (used in) financing activities | | (85,123) | 750,882 |
| Change in cash during the period | | (1,164,649) | 13,526 |
| Cash, beginning of period | | 2,038,493 | 50,639 |
| Effect of translation of foreign currency | | (24,977) | (8,027) |
| Cash, end of period | | \$ 848,867 | \$ 56,138 |
| Supplemental information: | | | |
| Issuance of common shares in lieu of debt (note 12) | | - | 558,731 |
| Options granted in settlement of debt (note 13) | | - | 363,269 |
| Finance costs paid on borrowing (note 10) | | - | 772,000 |
| Exercised option payment settled against Accounts Payable | | 81,563 | - |
| Issuance of common shares in lieu of Accounts Payable | | 87,998 | - |

See accompanying notes to the unaudited condensed interim consolidated financial statements

PUDO Inc.

Notes to Condensed Interim Consolidated Financial Statements

Nine Month Ended November 30, 2020 and 2019

(Expressed in Canadian Dollars)

(Unaudited)

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 November 30, 2020, the Company had a working capital surplus of \$828,451 (February 29, 2020 – \$1,545,969), had not yet achieved profitable operations, had used cash in operating activities of \$973,061 for the nine month period ended November 30, 2020 (November 30, 2019 - \$685,444), had a deficit of \$10,983,780 as at November 30, 2020 (February 29, 2020 - \$10,159,033) and had shareholders’ equity of \$996,857 (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 nine month periods ended November 30, 2020 were approved and authorized for issue by the Board of Directors on December 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

Nine Month Ended November 30, 2020 and 2019

(Expressed in Canadian Dollars)

(Unaudited)

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 the 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 and 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 Nine Month Ended November 30, 2020 and 2019 (Expressed in Canadian Dollars) (Unaudited)

3. Financial risk management (continued)

| | Three Months Ended November 30 | | Nine Months Ended November 30 | |
|---------------------------------------|-----------------------------------|------------|----------------------------------|--------------------------|
| | 2020 | 2019 | 2020 | 2019 |
| Revenue from one customer | \$ 249,716 | \$ 155,563 | \$ 611,896 | \$ 403,537 |
| % of total revenue | 51% | 56% | 57% | 56% |
| | | | November 30, 2020 | February 29, 2020 |
| Accounts Receivable from one Customer | | | 109,490 | 107,189 |
| % of total accounts receivable | | | 43% | 60% |

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

| | November 30, 2020 | February 29, 2020 |
|----------------------------------|---------------------|---------------------|
| Cash | \$ 848,867 | \$ 2,038,493 |
| Restricted short-term investment | 25,504 | 25,378 |
| Trade and other receivables | 304,979 | 213,701 |
| | \$ 1,179,350 | \$ 2,277,572 |

(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:

| November 30, 2020 | 1 Year or Less | Greater than 1 year | Total |
|--------------------------|-------------------|------------------------|-------------------|
| Trade and other payables | \$ 386,051 | \$ - | \$ 386,051 |
| Loans and borrowings | 31,203 | - | 31,203 |
| | \$ 417,254 | \$ - | \$ 417,254 |
| 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 |
| | \$ 790,275 | \$ 13,373 | \$ 803,648 |

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

Nine Month Ended November 30, 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 nine month periods ended November 30, 2020 is as follows:

| | Three Months Ended November 30 | | Nine Months Ended November 30 | |
|--------------------------|-----------------------------------|------------|----------------------------------|------------|
| | 2020 | 2019 | 2020 | 2019 |
| Canada | \$ 387,976 | \$ 210,673 | \$ 922,744 | \$ 510,292 |
| United States of America | 97,111 | 66,893 | 145,661 | 212,225 |
| | \$ 485,087 | \$ 277,566 | \$ 1,068,405 | \$ 722,517 |

(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 November 30, 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 November 30, 2020 | USD | CAD Equivalent |
|-----------------------------|-----------|-------------------|
| Cash | \$ 12,995 | \$ 16,848 |
| Trade and other receivables | 73,356 | 95,106 |
| Trade and other payables | (39,184) | (50,802) |
| | \$ 47,167 | \$ 61,152 |

| 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 Nine Month Ended November 30, 2020 and 2019 (Expressed in Canadian Dollars) (Unaudited)

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 November 30, 2020, the Company had a shareholders' equity of \$996,857 (February 29, 2020 – \$1,670,552) and loans and borrowings of \$25,613 (February 29, 2020 - \$290,086).

The Company's capital management objectives, policies and processes have remained materially unchanged during the nine month period ended November 30, 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 November 30, 2020, 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 November 30, 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 Nine Month Ended November 30, 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

| | November 30, 2020 | February 29, 2020 |
|-------------------|-------------------|-------------------|
| Trade receivables | \$ 256,809 | \$ 179,603 |
| HST receivable | 5,768 | 9,361 |
| Other receivables | 42,402 | 24,737 |
| | \$ 304,979 | \$ 213,701 |

Allowance for doubtful accounts as at November 30, 2020 was \$ 651 (February 29, 2020 – \$ nil).

6. Equipment

| Scanners and Tablets | Cost | Accumulated Amortization | Net Book Value |
|-------------------------------------|------------|-----------------------------|----------------|
| Balance at February 28, 2019 | \$ 221,870 | \$ 174,431 | \$ 47,439 |
| Additions / amortization | 40,029 | 34,526 | 5,503 |
| Balance at February 29, 2020 | \$ 261,899 | \$ 208,957 | \$ 52,942 |
| Additions / amortization | 54,965 | 39,226 | 15,739 |
| Balance at November 30, 2020 | \$ 316,864 | \$ 248,183 | \$ 68,681 |

7. Intangible assets

| Computer Software | Cost | Accumulated Amortization | Net Book Value |
|-------------------------------------|------------|-----------------------------|----------------|
| Balance at February 28, 2019 | \$ 676,923 | \$ 505,603 | \$ 171,320 |
| Additions / amortization | 32,475 | 119,109 | (86,634) |
| Balance at February 29, 2020 | \$ 709,398 | \$ 624,712 | \$ 84,686 |
| Additions / amortization | 51,500 | 36,461 | 15,039 |
| Balance at November 30, 2020 | \$ 760,898 | \$ 661,173 | \$ 99,725 |

PUDO Inc.

Notes to Condensed Interim Consolidated Financial Statements Nine Month Ended November 30, 2020 and 2019 (Expressed in Canadian Dollars) (Unaudited)

8. Trade and other payables

| | As at November 30, 2020 | As at February 29, 2020 |
|---------------------|----------------------------|----------------------------|
| Trade payables | \$ 100,335 | \$ 311,246 |
| QST payable | 5,539 | 6,610 |
| Other payables | 126,359 | 93,738 |
| Accrued liabilities | 154,478 | 96,089 |
| | \$ 386,711 | \$ 507,683 |

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 \$5,106 (November 30, 2019 - \$9,955) for the nine month period ended November 30, 2020. The rate used in determining the appropriate present value of the borrowings was subject to management estimation.

| | November 30, 2020 | February 29, 2020 |
|---|----------------------|----------------------|
| Loan payable (Atlantic Canada Opportunities Agency) 6 instalments repayable at \$4,458 per month | \$ 26,748 | \$ 66,870 |
| Less: Discount future contractual cash flows | 1,135 | 6,244 |
| | 25,613 | 60,626 |
| Less: Current portion | 25,613 | 47,581 |
| | \$ - | \$ 13,045 |

Future repayments on the loan as at November 30, 2020 include the following:

| | |
|---------------------------------------|------------------|
| December 1, 2020 to February 28, 2021 | \$ 13,374 |
| March 1, 2021 to June 22, 2021 | 13,374 |
| | \$ 26,748 |

(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 one warrant with a strike price of \$0.54 and expiration date of November 7, 2020.

PUDO Inc.

Notes to Condensed Interim Consolidated Financial Statements Nine Month Ended November 30, 2020 and 2019 (Expressed in Canadian Dollars) (Unaudited)

9. Loans and borrowings (continued)

During the nine month period ended November 30, 2020, the \$232,855 balance of the promissory note including accrued interest was fully repaid in the first quarter.

| | | |
|--|-----------|----------------|
| Opening balance – February 28, 2019 | \$ | - |
| Promissory note | | 591,000 |
| Interest expense | | 63,460 |
| Partial settlement of promissory note | | (425,000) |
| Balance – February 29, 2020 | \$ | 229,460 |
| Interest expense | | 3,395 |
| Repayment of promissory note | | (232,855) |
| Balance – November 30, 2020 | \$ | - |

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

| Common Shares | Number | Amount |
|---|-------------------|---------------------|
| Balance, February 28, 2019 | 19,572,824 | \$ 6,001,685 |
| Common shares issued (i) (ii) (iii) (iv) | 6,939,025 | 2,259,201 |
| Balance, February 29, 2020 | 26,511,849 | \$ 8,260,886 |
| Common shares issued (v) (vi) (vii) (viii) (xi) (x) | 334,167 | 486,467 |
| Balance, November 30, 2020 | 26,846,016 | \$ 8,747,353 |

(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

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(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.

(vi) In September 2020, a warrant holder exercised 8,620 warrants. As a result, 8,620 shares at the exercise value of \$5,948 were issued. The common shares and warrants were valued at \$7,930 and \$1,983, respectively.

(vii) In October 2020, a warrant holder exercised 23,000 warrants. As a result, 23,000 shares at the exercise value of \$15,870 were issued. The common shares and warrants were valued at \$21,160 and \$5,289, respectively.

(viii) In November 2020, a warrant holder exercised 48,685 warrants while allowing 84,648 remaining warrants to expire. As a result, 48,685 shares at the exercise value of \$26,290 were issued. The common shares were valued at \$35,053. The warrants that expired had a fair market value of \$14,991.

(xi) In November 2020, number of companies with a common director or officer exercised 88,889 warrants while allowing 1,826,666 remaining warrants to expire. As a result, 88,889 shares at the exercise value of \$48,000 were issued. The common shares were valued at \$64,000. The warrants that expired had a fair market value of \$338,506.

(x) In November 2020, the Company issued 44,444 common shares to pay for an \$87,998 liability owing to a vendor. This payment arrangement was part of the agreement between the Company and the vendor, signed prior to engaging the vendor.

PUDO Inc.

Notes to Condensed Interim Consolidated Financial Statements Nine Month Ended November 30, 2020 and 2019 (Expressed in Canadian Dollars) (Unaudited)

11. Warrant reserve

The following table reflects the continuity of warrants for the nine month period ended November 30, 2020 and the year ended February 29, 2020:

| | Number of Warrants | Average Exercise Price |
|---|--------------------|------------------------|
| Balance, February 28, 2019 | 135,626 | \$ 2.33 |
| 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 |
| Balance, February 29, 2020 | 6,939,025 | \$ 0.65 |
| Warrants exercised (note 10(b) (vi) (vii)) | (31,620) | 0.69 |
| Warrants exercised (note 10(b) (viii) (xi)) | (137,574) | 0.54 |
| Warrants expired (note 10(b) (viii) (xi)) | (1,911,314) | 0.54 |
| Balance, November 30, 2020 | 4,858,517 | \$ 0.69 |

The following table reflects the warrants issued and outstanding as at November 30, 2020:

| Expiry Date | Exercise price (\$) | Issue date fair value (\$) | Number of warrants outstanding |
|-------------------|---------------------|----------------------------|--------------------------------|
| December 20, 2020 | 0.69 | 35,522 | 180,957 |
| January 6, 2021 | 0.69 | 41,500 | 172,414 |
| January 9, 2021 | 0.69 | 152,375 | 633,044 |
| January 24, 2021 | 0.69 | 899,140 | 3,872,102 |
| | | 1,128,537 | 4,858,517 |

- (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.

PUDO Inc.

Notes to Condensed Interim Consolidated Financial Statements Nine Month Ended November 30, 2020 and 2019 (Expressed in Canadian Dollars) (Unaudited)

12. Stock option reserve (continued)

The following table reflects the continuity of stock options for the nine month period ended November 30, 2020 and the year ended February 29, 2020:

| | Number of stock options | Exercise Price |
|-----------------------------------|----------------------------|----------------|
| Balance, February 28, 2019 | 3,110,000 | \$ 1.33 |
| 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 |
| Balance, February 29, 2020 | 2,110,500 | \$ 1.35 |
| Options issued (v) | 225,000 | 1.14 |
| Options issued (vi) | 135,000 | 1.75 |
| Options issued (vii) | 325,000 | 1.20 |
| Options exercised (ii) | (35,000) | 1.20 |
| Options exercised (iii) | (74,279) | 1.30 |
| Options exercised (v) | (11,250) | 1.14 |
| Options expired (ii) | (140,000) | 1.20 |
| Balance, November 30, 2020 | 2,534,971 | \$ 1.35 |

The following table reflects the actual stock options issued and outstanding as at November 30, 2020:

| Expiration Date | Exercise Price (\$) | Remaining contractual life (years) | Number of options outstanding | Options vested (exercisable) | Estimated grant date fair value |
|------------------------|---------------------|------------------------------------|-------------------------------|------------------------------|---------------------------------|
| October 26, 2022 (iii) | 1.30 | 2.00 | 1,753,221 | 1,277,596 | 2,041,866 |
| January 28, 2021 (iv) | 2.47 | 0.25 | 108,000 | 108,000 | 192,342 |
| July 17, 2025 (v) | 1.14 | 3.67 | 213,750 | 64,688 | 223,792 |
| July 17, 2025 (vi) | 1.75 | 3.67 | 135,000 | 33,750 | 129,739 |
| July 17, 2025 (vii) | 1.20 | 3.67 | 325,000 | 81,250 | 322,030 |
| | 1.57 | 2.65 | 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.

PUDO Inc.

Notes to Condensed Interim Consolidated Financial Statements

Nine Month Ended November 30, 2020 and 2019

(Expressed in Canadian Dollars)

(Unaudited)

12. Stock option reserve (continued)

(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. All 200,000 of 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 this was Doug...happened in August options, was settled against accounts payable that was owed to the option holder. Cash value of account payable settled was \$24,000. For the remaining 15,000 options, the exercise payment was received in cash. In the same period, 140,000 of the options granted employees, directors and consultants expired.

(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 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.

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Notes to Condensed Interim Consolidated Financial Statements

Nine Month Ended November 30, 2020 and 2019

(Expressed in Canadian Dollars)

(Unaudited)

12. Stock option reserve (continued)

(v) 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.

(vi) 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.

(vii) 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

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13. Expenses categorized by nature

| Cost of sales | Three Months Ended November 30 | | Nine Months Ended November 30 | |
|---------------------------------|-----------------------------------|------------|----------------------------------|------------|
| | 2020 | 2019 | 2020 | 2019 |
| External processing charges | \$ 341,222 | \$ 120,359 | \$ 714,474 | \$ 270,530 |
| Computer and web access charges | 2,004 | 2,507 | 7,705 | 8,936 |
| | \$ 343,226 | \$ 122,866 | \$ 722,179 | \$ 279,466 |

| Administrative expenses | Three Months Ended November 30 | | Nine Months Ended November 30 | |
|---|-----------------------------------|------------|----------------------------------|--------------|
| | 2020 | 2019 | 2020 | 2019 |
| Salaries and Benefits | \$ 262,264 | \$ 142,592 | \$ 623,088 | \$ 713,893 |
| Investor relations | 124,296 | 26,436 | 160,100 | 40,689 |
| Travel promotion and business development | 117,015 | 53,118 | 172,100 | 117,674 |
| General and administrative expenses | 55,018 | 43,267 | 161,832 | 134,588 |
| Consulting Fees | 30,728 | 63,700 | 94,570 | 151,743 |
| Amortization (notes 7 and 8) | 21,340 | 38,225 | 75,687 | 119,069 |
| Accounting and office | 16,680 | 29,850 | 95,398 | 113,550 |
| Agent and filing fees | 10,481 | 8,588 | 38,080 | 32,177 |
| Professional fees | 8,632 | 58 | 54,597 | 56,772 |
| Foreign exchange loss (gain) | 4,677 | 1,585 | (11,150) | (71) |
| Canada Emergency Wage Subsidy | (46,573) | - | (119,136) | - |
| | \$ 604,558 | \$ 407,419 | \$ 1,345,166 | \$ 1,480,084 |

During the three and nine month period ended November 30, 2020, the Company received funding under the Canada Emergency Wage Subsidy program in the amount of \$46,573 and \$119,136 respectively. The subsidy was used to offset administrative expenses as outlined in the table above.

14. Related party balances and transactions

During the three and nine month periods ended November 30, 2020 and 2019, the Company incurred accounting fees and office rental, which is included in accounting and office expense, of \$16,680 and \$95,395 (November 30, 2019 - \$29,850 and \$113,550), respectively to a company with a common officer and director.

PUDO Inc.

Notes to Condensed Interim Consolidated Financial Statements Nine Month Ended November 30, 2020 and 2019 (Expressed in Canadian Dollars) (Unaudited)

14. Related party balances and transactions (continued)

During the three and nine month periods ended November 30, 2020 and 2019, the Company had the following transactions with shareholders, management and directors:

| | Three Months Ended | | Nine Months Ended | |
|--------------------------|--------------------|------------|-------------------|------------|
| | November 30 | | November 30 | |
| | 2020 | 2019 | 2020 | 2019 |
| Share-based compensation | \$ 80,874 | \$ 149,418 | \$ 149,418 | \$ 456,996 |
| Salaries and benefits | 43,500 | 60,310 | 128,404 | 407,034 |
| Consulting fees | 10,660 | 10,703 | 34,502 | 33,020 |
| | \$ 135,034 | \$ 220,431 | \$ 312,324 | \$ 897,050 |

As at November 30, 2020, balances payable to the related parties noted above amounted to \$18,956 (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 November 30, 2020.