# PUDO INC.

## CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE THREE AND NINE MONTH PERIODS ENDED NOVEMBER 30, 2016

## (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 | | November 30, 2016 | | February 29, 2016 |
|---|---|---|---|---|
| **Assets** | | | | |
| **Current assets** | | | | |
| Cash | **$** | **101,019** | $ | 891,301 |
| Restricted short-term investment | | **25,000** | | 25,000 |
| Trade and other receivables (note 6) | | **187,377** | | 154,688 |
| Prepaid expenses and deposits | | **45,331** | | 91,475 |
| **Total current assets** | | **358,727** | | 1,162,464 |
| **Equipment** (note 7) | | **141,789** | | 111,987 |
| **Intangible assets** (note 8) | | **510,030** | | 13,958 |
| **Total assets** | **$** | **1,010,546** | $ | 1,288,409 |
| **Liabilities** | | | | |
| **Current liabilities** | | | | |
| Trade and other payables (notes 9 and 20) | **$** | **441,442** | $ | 360,470 |
| Advances payable (note 10) | | **15,025** | | 15,025 |
| Loans and borrowings (note 11) | | **29,310** | | - |
| **Total current liabilities** | | **485,777** | | 375,495 |
| **Loans and borrowings** (note 11) | | **144,967** | | - |
| **Total liabilities** | | **630,744** | | 375,495 |
| **Shareholders' equity** | | | | |
| Share capital (note 12) | | **3,716,518** | | 3,366,283 |
| Warrants (note 15) | | **197,805** | | 197,805 |
| Stock options (note 16) | | **312,758** | | 277,508 |
| Deficit | | **(3,847,279)** | | (2,928,682) |
| **Shareholders' equity** | | **379,802** | | 912,914 |
| **Total liabilities and shareholders' equity** | **$** | **1,010,546** | $ | 1,288,409 |

**Nature of operations and going concern** (note 1)
**Commitments and contingencies** (note 21)

Approved by the Board of Directors:
"*Kurtis Arnold*" Director
"*Richard Cooper*" Director

The accompanying notes are an integral part of these 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, 2016 | Three Months Ended November 30, 2015 | Nine Months Ended November 30, 2016 | Nine Months Ended November 30, 2015 |
|---|---|---|---|---|
| Revenue (note 17) | **$ 282,882** | $ 30,004 | **$ 661,706** | $ 72,113 |
| Cost of sales (note 17) | **(98,155)** | (13,786) | **(214,773)** | (32,495) |
| **Gross profit** | **184,727** | 16,218 | **446,933** | 39,618 |
| Administrative expenses (note 18) | **(390,333)** | (373,510) | **(1,309,573)** | (652,522) |
| Share-based payment (note 16) | **-** | - | **(35,250)** | (157,982) |
| **Operating loss** | **(205,606)** | (357,292) | **(897,890)** | (770,886) |
| Finance costs (note 19) | **(6,703)** | (4) | **(20,707)** | (14,523) |
| Reverse takeover transaction costs | **-** | - | **-** | (1,307,958) |
| **Net loss and comprehensive loss for the period** | **$ (212,309)** | $ (357,296) | **$ (918,597)** | $ (2,093,367) |
| **Loss per share - basic and diluted** | **$ (0.01)** | $ (0.02) | **$ (0.06)** | $ (0.22) |
| **Weighted average number of shares outstanding - basic and diluted** | **16,320,514** | 15,594,802 | **16,319,150** | 9,386,220 |

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

# PUDO Inc.

## Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Deficiency)

**(Expressed in Canadian Dollars)**

**(Unaudited)**

| | Number of common shares | Share capital | Warrants | Stock options | Deficit | Total |
|---|---|---|---|---|---|---|
| **Balance, February 28, 2015** | 3,333,332 | $ 16,668 | $ - | $ - | $ (351,261) | $ (334,593) |
| Issuance of common shares on conversion of borrowings | 1,883,465 | 470,867 | - | - | - | 470,867 |
| Conversion of Class A preferred shares | 5,100,000 | 102,002 | - | - | - | 102,002 |
| Conversion of PUDO shares and consideration for reverse takeover | 4,178,005 | 1,044,501 | - | - | - | 1,044,501 |
| Issuance of common shares in private placement | 1,100,000 | 715,974 | - | - | - | 715,974 |
| Valuation of broker warrants issued in private placement | - | (25,869) | 25,869 | - | - | - |
| Transaction costs incurred for private placement | - | (11,688) | - | - | - | (11,688) |
| Share-based payment | - | - | - | 157,982 | - | 157,982 |
| Net loss for the nine month period ended November 30, 2015 | - | - | - | - | (2,093,367) | (2,093,367) |
| **Balance, November 30, 2015** | 15,594,802 | $ 2,312,455 | $ 25,869 | $ 157,982 | $ (2,444,628) | $ 51,678 |
| Share-based payment | - | - | - | 125,168 | - | 125,168 |
| Broker warrants exercised | 81,746 | 82,569 | (25,869) | - | - | 56,700 |
| Stock options exercised | 50,000 | 15,642 | - | (5,642) | - | 10,000 |
| Issuance of common shares in private placement | 468,967 | 1,172,422 | - | - | - | 1,172,422 |
| Valuation of warrants issued in private placement | - | (201,063) | 201,063 | - | - | - |
| Transaction costs incurred for private placement | - | (15,742) | (3,258) | - | - | (19,000) |
| Net loss for the three month period ended February 29, 2016 | - | - | - | - | (484,054) | (484,054) |
| **Balance, February 29, 2016** | 16,195,515 | $ 3,366,283 | $ 197,805 | $ 277,508 | $(2,928,682) | $ 912,914 |
| Issuance of common shares on acquisition of Kinek | 116,745 | 350,235 | - | - | - | 350,235 |
| Broker warrants exercised | 8,254 | - | - | - | - | - |
| Share-based payment | - | - | - | 35,250 | - | 35,250 |
| Net loss for the nine month period ended November 30, 2016 | - | - | - | - | (918,597) | (918,597) |
| **Balance, November 30, 2016** | 16,320,514 | $ 3,716,518 | $ 197,805 | $ 312,758 | $(3,847,279) | $ 379,802 |

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

# PUDO Inc.

## Condensed Interim Consolidated Statements of Cash Flows
## (Expressed in Canadian Dollars)
## (Unaudited)

| | Nine Months Ended November 30, 2016 | Nine Months Ended November 30, 2015 |
|---|---|---|
| **Cash flows (used in) operating activities** | | |
| Net loss for the period | **$ (918,597)** | $ (2,093,367) |
| Adjustments for: | | |
| Share-based payment | **35,250** | 157,982 |
| Amortization | **127,864** | 12,257 |
| Accretion expense | **20,707** | - |
| Reverse takeover transaction costs | **-** | 1,307,958 |
| Net change in non-cash working capital: | | |
| Trade and other receivables | **(32,689)** | (82,422) |
| Prepaid expenses and deposits | **46,144** | (45,177) |
| Trade and other payables | **86,474** | (41,174) |
| **Cash flows (used in) operating activities** | **(634,847)** | (783,943) |
| **Cash flows provided by (used in) investing activities** | | |
| Cash obtained upon reverse takeover | **-** | 111,047 |
| Restricted short-term investment | **-** | (25,000) |
| Purchase of equipment | **(67,226)** | (104,468) |
| Purchase of intangible assets | **(61,461)** | **-** |
| **Cash flows (used in) investing activities** | **(128,687)** | (18,421) |
| **Cash flows provided by financing activities** | | |
| Proceeds from issuance of shares | **-** | 715,974 |
| Transaction costs | **-** | (11,688) |
| Proceeds from issuance of preferred shares | **-** | 102,002 |
| Repayment of advances payable and borrowings | **(26,748)** | (217,750) |
| **Cash flows (used in) provided by financing activities** | **(26,748)** | 588,538 |
| **Change in cash during the period** | **(790,282)** | (213,826) |
| **Cash, beginning of period** | **891,301** | 319,625 |
| **Cash, end of period** | **$ 101,019** | $ 105,799 |
| **Supplemental information:** | | |
| Shares issued in acquisition of Kinek (note 13) | **$ 350,235** | $ - |
| Broker warrants issued for services | **-** | 25,869 |
| Conversion of borrowings into shares | - | 470,867 |
| Conversion of Class A preferred shares | **-** | 102,002 |
| Shares issued to effect reverse takeover | **-** | 1,044,501 |

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

## 1. Nature of operations and going concern

My Courier Depot Inc. ("MCD") was incorporated under the Ontario Business Corporations Act on December 16, 2013 and domiciled in Canada. Its registered office is situated at 400 Brunel Road, Mississauga, Ontario, Canada, L4Z 2C2.

MCD's principal activity is providing E-commerce shipment services through collaboration with specific online retailers for delivery of their products, and working with national and international courier companies to provide alternate drop-off and pickup options of packages.

PUDO Inc. ("PUDO" or the "Company") was a gold exploration company focused on exploring and developing gold properties in North and South America. The Company was incorporated under the laws of the Province of Ontario. To date, the Company has not earned significant revenues from gold exploration and was considered to be in the exploration and evaluation stage.

On March 18, 2015, the Company entered into a share exchange agreement (the "Share Exchange Agreement") to acquire all of the issued and outstanding securities of MCD. Pursuant to the Share Exchange Agreement, the Company's management was replaced with management appointed by MCD and the Company now carries on the business of MCD.

On July 13, 2015, the Company completed (i) the consolidation of the issued and outstanding common shares of the Company on the basis of one (1) post-consolidation common share for each twenty (20) pre-consolidation common shares and (ii) the change of the Company's name to "PUDO Inc.".

On July 14, 2015, the Company acquired all of the issued and outstanding shares of MCD ("MCD shares") on the basis of 8,333.33 post-consolidation shares for 1 MCD share. Effective July 14, 2015, the Company issued an aggregate of 10,316,797 shares of the Company to former shareholders of MCD (the "Acquisition"). The Acquisition was accounted for as a reverse takeover ("RTO") whereby MCD was identified as the acquirer for accounting purposes and the comparative figures presented in the unaudited condensed interim consolidated financial statements are those of MCD.

The Company has completed voluntary delisting of the Company's common shares from the NEX and received approval for the listing of all of its issued and outstanding securities on the Canadian Securities Exchange effective July 28, 2015.

On February 28, 2016, PUDO Inc. completed an amalgamation with its wholly owned subsidiary, MCD (see note 14).

These unaudited 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, 2016, the Company had a working capital (deficiency) of ($127,050) (February 29, 2016 - $786,969), had not yet achieved profitable operations, had used cash of $634,847 (November 30, 2015 - $783,943) in operating activities during the nine month period ended November 30, 2016, and had accumulated losses of $3,847,279 as at November 30, 2016 (February 29, 2015 - $2,928,682). These conditions reflect material uncertainties that may 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 unaudited 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 Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the IFRS Interpretations Committee (“IFRIC”). These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by the IASB and interpretations issued by the IFRIC.

The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRSs issued and outstanding as of December 19, 2016, the date the Board of Directors approved the financial statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim consolidated financial statements as compared with the most recent annual financial statements of the Company as at and for the year ended February 29, 2016 other than changes in accounting policies as discussed below. Any subsequent changes to IFRS that are given effect in the Company’s annual financial statements for the year ending February 28, 2017 could result in restatement of these unaudited condensed interim consolidated financial statements.

(b) Basis of presentation

The unaudited condensed interim consolidated financial statements have been prepared on a historical cost basis, except for the restricted short-term investment, comprised of a guaranteed investment certificate, which is stated at its fair value. In addition, these unaudited condensed interim consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

(c) Basis of consolidation

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

Subsidiaries
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. Significant accounting policies

(a) New standards not yet adopted and interpretations issued but not yet effective

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting years beginning on or after March 1, 2017 or later years. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRS 9 – *Financial Instruments* (“IFRS 9”) was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial

## 3. Significant accounting policies (continued)

(a) New standards not yet adopted and interpretations issued but not yet effective (continued)

assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual years beginning on or after January 1, 2018. Earlier adoption is permitted.

IFRS 15 - *Revenue From Contracts With Customers* ("IFRS 15") proposes to replace IAS 18 - Revenue, IAS 11 -Construction Contracts, and some revenue-related interpretations. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual years beginning on or after January 1, 2017.

(b) Changes in accounting standards

The Company has adopted the following amendment effective March 1, 2016.

IAS 38 *Intangible Assets* ("IAS 38") and IAS 16, Property, Plant and Equipment ("IAS 16") were amended in May 2014 to introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. The amendment is effective for annual years beginning on or after January 1, 2016.

There was no material impact on the adoption of this amendment on the unaudited condensed interim consolidated financial statements.

## 4. Financial risk management

(a) Fair values

The carrying amounts of trade and other receivables, cash, trade and other payables, advances payable and current portion of loans and borrowings approximate their fair values, given their short-term nature. As at November 30, 2016, the Company's short-term investment was classified as Level 2 within the fair value hierarchy.

(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.

(Expressed in Canadian Dollars)

**4. Financial risk management (continued)**

(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 as recorded in the Company's consolidated statement of financial position.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position. The maximum exposure to credit risk at the respective reporting dates was:

| | **November 30, 2016** | **February 29, 2016** |
|---|---|---|
| Trade and other receivables | **$ 187,377** | $ 154,688 |
| Cash | **101,019** | 891,301 |
| Restricted short-term investment | **25,000** | 25,000 |
| | **$ 313,396** | $ 1,070,989 |

(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, 2016** | **February 29, 2016** |
|---|---|---|
| | <1 year | < 1 year |
| Trade and other payables | **$ 441,442** | $ 360,470 |
| Loans and borrowings | **29,310** | **-** |
| Advances payable | **15,025** | 15,025 |
| | **$ 485,777** | $ 375,495 |
| Loans and borrowings – 54 monthly instalments of $4,458 > 1 year | **$ 144,967** | $ - |

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

(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.

The Company’s exposure to risks of changes in market interest rates relates primarily to its cash and short-term investment balances. The Company 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.

### 4. Financial risk management (continued)

Currency risk

Since the Company has cash, accounts receivable and accounts payable denominated in US dollars, it is exposed to foreign currency risk due to fluctuations in exchange rates. The Company purchases goods and services in Canadian dollars and US dollars and has sales in Canadian 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, 2016, the Company had cash of $16,104 (US$12,264) (February 29, 2016 – $194,590 (US$143,896)), accounts receivable of $36,738 (US$27,978) (February 29, 2016 – $nil) and accounts payable of $101,690 (US$77,442) (February 29, 2016 – $24,000 (US$17,750)).

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 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.

(iv) 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 equity and borrowings.

The Company's capital management objectives, policies and processes have remained materially unchanged during the nine month period ended November 30, 2016 and the year ended February 29, 2016.

(v) Sensitivity analysis

Based on management’s knowledge and experience in the financial markets, the Company believes the following movements are reasonably possible over a twelve-month period. 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, 2016, would affect the net loss by approximately plus or minus $1,000 during a twelve-month period.

### 5. 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 continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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.

**(Expressed in Canadian Dollars)**

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

*Intangible assets*
The useful life of computer software 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 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.

*Income, value added, withholding and other taxes*
The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. 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.

*Share-based payments*
The Company measures the cost of equity-settled transactions with employees and directors by reference to the fair value of the equity instruments on the date at which they are granted. Estimating fair value for share-based payment 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 behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

*Present value of loans and borrowings*
See note 11.

## 6. Trade and other receivables

| | November 30, 2016 | February 29, 2016 |
|---|---|---|
| Trade receivables | **$ 173,978** | $ 49,498 |
| HST receivable | **3,358** | 99,990 |
| Other receivables | **10,041** | 5,200 |
| | **$ 187,377** | $ 154,688 |

There was no allowance for doubtful accounts as at November 30, 2016 and February 29, 2016.

(Expressed in Canadian Dollars)

## 7. Equipment

| | | Computers |
|---|---|---|
| **Cost** | | |
| **Balance at February 28, 2015** | $ | 2,208 |
| Additions | | 126,617 |
| **Balance at February 29, 2016** | $ | 128,825 |
| Additions | | 67,226 |
| **Balance at November 30, 2016** | **$** | **196,051** |
| **Accumulated amortization** | | |
| **Balance at February 28, 2015** | $ | 66 |
| Amortization | | 16,772 |
| **Balance at February 29, 2016** | $ | 16,838 |
| Amortization | | 37,424 |
| **Balance at November 30, 2016** | **$** | **54,262** |
| **Carrying amounts** | | |
| Balance at February 29, 2016 | $ | 111,987 |
| **Balance at November 30, 2016** | **$** | **141,789** |

## 8. Intangible assets

| | | Computer Software |
|---|---|---|
| **Cost** | | |
| **Balance at February 28, 2015 and 2016** | $ | 25,000 |
| Additions | | 586,512 |
| **Balance at November 30, 2016** | **$** | **611,512** |
| **Accumulated amortization** | | |
| Balance at February 28, 2015 | $ | 6,042 |
| Amortization | | 5,000 |
| Balance at February 29, 2016 | $ | 11,042 |
| Amortization | | 90,440 |
| **Balance at November 30, 2016** | **$** | **101,482** |
| **Carrying amounts** | | |
| Balance at February 29, 2016 | $ | 13,958 |
| **Balance at November 30, 2016** | **$** | **510,030** |

(Expressed in Canadian Dollars)

## 9. Trade and other payables

| | November 30, 2016 | February 29, 2016 |
|---|---|---|
| Trade payables | **$ 313,822** | $ 276,116 |
| Other payables | **39,723** | 20,716 |
| Accrued liabilities | **87,897** | 63,638 |
| | **$ 441,442** | $ 360,470 |

## 10. Advances payable

At November 30, 2016, the Company had advances payable of $15,025 (February 29, 2016 - $15,025) owing to a shareholder of the Company. These advances are unsecured, non-interest bearing and due on demand.

## 11. Loans and borrowings

On March 3, 2016, the Company assumed borrowings from 640624 N.B. Ltd. (o/a Kinek) (see note 13) payable to Atlantic Canada Opportunities Agency. The loan is unsecured and non-interest bearing. The present value of non-current borrowings was estimated using the effective interest rate method by discounting the future contractual cash flows at the current market interest rates for an equivalent instrument. The discount rate applied was 15.0%. The Company recorded accretion expense of $6,703 and $20,707, respectively (November 30, 2015 - $nil) during the three and nine month periods ended November 30, 2016. The rate used in determining the appropriate present value of the borrowings was subject to significant management estimation.

| | November 30, 2016 | February 29, 2016 |
|---|---|---|
| Loan payable (Atlantic Canada Opportunities Agency)<br>54 instalments repayable at $4,458 per month | **$ 174,277** | - |
| Less: Current portion | **29,310** | - |
| | **$ 144,967** | - |

Future repayments on the borrowings as at November 30, 2016 include the following:

| | |
|---|---|
| December 1, 2016 to February 28, 2017 | $ 13,374 |
| March 1, 2017 to February 28, 2018 | 53,496 |
| March 1, 2018 to February 28, 2019 | 53,496 |
| March 1, 2019 to February 28, 2020 | 53,496 |
| March 1, 2020 to February 28, 2021 | 53,496 |
| March 1, 2021 to June 22, 2021 | 13,374 |
| Principal amount | $ 240,732 |

(Expressed in Canadian Dollars)

## 12. 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, voting, non-participating, and are convertible into common shares at the rate of one common share for five preference shares (none currently issued and outstanding).

(b) Issued

| Common Shares | Number | | Amount |
|---|---|---|---|
| **Balance of common shares, February 28, 2015** | **3,333,332** | **$** | **16,668** |
| Issuance of common shares on conversion of borrowings (iii) | 1,883,465 | | 470,867 |
| Conversion of Class A preferred shares (i) | 5,100,000 | | 102,002 |
| Conversion of PUDO shares and consideration for RTO (i) | 4,178,005 | | 1,044,501 |
| Issuance of common shares in first private placement (ii) | 1,100,000 | | 715,974 |
| Valuation of broker warrants issued in first private placement (ii) | - | | (25,869) |
| Transaction costs incurred for first private placement (ii) | - | | (11,688) |
| Exercise of broker warrants (note 15) | 81,746 | | 82,569 |
| Exercise of options (note 16) | 50,000 | | 15,642 |
| Issuance of common shares in second private placement (iv) | 468,967 | | 971,359 |
| Transaction costs incurred for second private placement (iv) | - | | (15,742) |
| **Balance, February 29, 2016** | **16,195,515** | **$** | **3,366,283** |
| Exercise of broker warrants (note 15) | 8,254 | | - |
| Issuance of common shares in acquisition of Kinek (v) | 116,745 | | 350,235 |
| **Balance, November 30, 2016** | **16,320,514** | **$** | **3,716,518** |

(i) On July 14, 2015, the Company acquired all of the issued and outstanding shares of MCD on the basis of 8,333.33 post-consolidation shares for 1 MCD common share. In addition, the Company also acquired all of the issued and outstanding Class A preferred shares of MCD on the basis of 8,333.33 post-consolidation shares for 1 MCD preferred share. Effective July 14, 2015, the Company issued an aggregate of 10,316,797 shares of the Company to former shareholders of MCD. The 400 MCD common shares and 612 MCD Class A preferred shares as at February 28, 2015 and the 226 MCD common shares issued on conversion of borrowings during the year ended February 29, 2016 had been restated on the basis of the ratio of 1: 8,333.33 to 3,333,332, 5,100,000 and 1,883,465 common shares of PUDO, respectively, to reflect the shares issued in the RTO. The Acquisition was accounted for as a RTO whereby MCD was identified as the acquirer for accounting purposes.

(ii) On August 24, 2015, the Company closed a non-brokered private placement of 1,100,000 common shares at a price of $0.63 or US$0.50 per common share for total proceeds of $715,974. A total of 90,000 broker warrants were issued in connection with the private placement, exercisable for one common share at a price of $0.63. The broker warrants have an estimated fair value of $25,869, using the Black-Scholes valuation model with the following assumptions: risk-free interest rate of 0.33%, expected life of two years, expected volatility of 100%, based on the historical volatility of comparable companies, and expected dividend yield of 0%. Two directors of the Company subscribed for an aggregate of 100,000 common shares for gross proceeds of $63,000 pursuant to this private placement.

(Expressed in Canadian Dollars)

## 12. Share capital (continued)

(iii) Borrowings and related interest were converted into 226 common shares of MCD at a price of US$1,666.67 per common share, which has been restated to 1,883,465 common shares to reflect the number of shares of PUDO issued in the RTO.

(iv) On February 12, 2016, the Company closed a non-brokered private placement of 468,967 units at a price of $2.50 per unit for total proceeds of $1,172,422. Each unit is comprised of one common share and one-half of one common share purchase warrant. Each whole warrant is exercisable into one common share of the Company at $4 per share for a period of one year. The warrants have an estimated grant date fair value of $201,063, using the Black-Scholes valuation model with the following assumptions: risk-free interest rate of 0.47%, expected life of one year, expected volatility of 155% based on the historical volatility of the Company's shares, and expected dividend yield of 0%. The Company incurred share issue costs of $19,000 in connection with the private placement. Directors of the Company, and corporations controlled by them, subscribed for an aggregate of 36,320 units for gross proceeds of $90,800 pursuant to this private placement. A family member of one of the directors of the Company subscribed for 30,277 units in settlement of $75,693 in payables owed to him, as well as 163,000 units for gross proceeds of $407,500.

(v) On March 3, 2016, the Company acquired certain assets and assumed certain liabilities from 640624 N.B. Ltd. (o/a Kinek). In consideration for the business acquisition, the Company issued 116,745 common shares to Kinek with a value of $3.00 per share. See note 13.

## 13. Acquisition

On March 3, 2016, the Company acquired certain assets and assumed certain liabilities from 640624 N.B. Ltd. (o/a Kinek), a New Brunswick-based corporation. The Company issued 116,745 common shares to Kinek with a value of $3.00 per share, based on the market share price on the date of issuance, for a total cost of $350,235. The principal reason for this acquisition was to add approximately 109 operating parcel pick up and drop off locations with approximately 179,000 users to the PUDO network. These locations are primarily along the U.S.-Canadian border. Acquisition costs of $8,000 arose as a result of the transaction. These have been recognised as part of administrative expenses in the consolidated statement of comprehensive loss. In accordance with IFRS 3, Business Combinations, the substance of the transaction constitutes a business combination as Kinek meets the definition of a business under the standard. The acquisition of Kinek was accounted for as a business combination and, accordingly, the assets acquired and the liabilities assumed have been recorded at their respective fair values as of the acquisition date. The purchase price allocation shown below is preliminary and based on the Company's management's best estimates. The final purchase price allocations are expected to be completed as soon as Company's management has gathered all of the significant information available and considered necessary in order to finalize this allocation. Details of the preliminary estimate of the fair value of identifiable assets and liabilities acquired and purchase consideration is as follows:

| **Consideration** | | |
|---|---|---|
| Common shares | $ | 350,235 |

| **Identifiable asset (liabilities) acquired** | | |
|---|---|---|
| Prepaid expenses and other assets | $ | 7,004 |
| Intangible assets – web based software | | 530,601 |
| Loans and borrowings (note 11) | | (187,370) |
| **Total identifiable net assets** | $ | 350,235 |

(Expressed in Canadian Dollars)

## 14. Amalgamation

On February 28, 2016, PUDO completed a vertical short-form amalgamation pursuant to *the Business Corporations Act* (Ontario) with its wholly-owned subsidiary, MCD. No securities of PUDO were issued in connection with the amalgamation and the share capital of PUDO was unchanged. The amalgamation of PUDO and MCD has been undertaken in order to simplify the corporate structure of PUDO and to reduce administrative costs. The amalgamation will not have any significant effect on the business and operations of PUDO.

## 15. Warrants

The following table reflects the continuity of warrants for the period ended November 30, 2016 and the year ended February 29, 2016:

| | Number of warrants | Exercise price | |
|---|---|---|---|
| **Balance, February 28, 2015** | **-** | **$** | **-** |
| Broker warrants issued in private placement (note 12(b)(ii)) | 90,000 | | 0.63 |
| Broker warrants exercised | (81,746) | | 0.63 |
| Warrants issued in private placement (note 12(b)(iv)) | 234,483 | | 4.00 |
| **Balance, February 29, 2016** | **242,737** | **$** | **4.00** |
| Broker warrants exercised | (8,254) | | 0.63 |
| **Balance, November 30, 2016** | **234,483** | **$** | **4.00** |

The following table reflects the warrants issued and outstanding as of November 30, 2016:

| Expiry Date | Exercise price ($) | Estimated grant date fair value ($) | Number of warrants outstanding |
|---|---|---|---|
| February 12, 2017 | 4.00 | 197,805 | 234,483 |

## 16. Stock options

The Company maintains an employee stock option plan under which the Board of Directors, or a committee appointed for such purpose, 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 such committee.

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 be equal to 20% of the total issued and outstanding common shares and that the maximum number of common shares which may be reserved for issuance to any one optionee pursuant to share options may not exceed 5% of the common shares outstanding at the time of grant.

(Expressed in Canadian Dollars)

**16. Stock options (continued)**

The following table reflects the continuity of stock options for the period ended November 30, 2016 and the year ended February 29, 2016:

| | Number of stock options | Exercise price |
|---|---|---|
| **Balance, February 28, 2015** | **-** | **$ -** |
| Granted | 1,469,000 | 0.30 |
| Exercised | (50,000) | 0.20 |
| **Balance, February 29, 2016 and November 30, 2016** | **1,419,000** | **$ 0.30** |

The following table reflects the actual stock options issued and outstanding as of November 30, 2016:

| Expiry date | Exercise price ($) | Remaining contractual life (years) | Weighted average number of options outstanding | Options vested (exercisable) | Estimated grant date fair value |
|---|---|---|---|---|---|
| July 14, 2017 (i) | 0.20 | 0.63 | 1,350,000 | 1,350,000 | $ 195,958 |
| December 1, 2017 (ii) | 2.25 | 1.00 | 17,250 | 17,250 | 27,700 |
| March 1, 2018 (ii) | 2.25 | 1.25 | 17,250 | 17,250 | 28,800 |
| June 1, 2018 (ii) | 2.25 | 1.50 | 17,250 | 17,250 | 29,700 |
| September 1, 2018 (ii) | 2.25 | 1.75 | 17,250 | 17,250 | 30,600 |
| | 0.30 | 1.23 | 1,419,000 | 1,419,000 | $ 312,758 |

(i) On July 14, 2015, the Company granted 1,400,000 stock options to an officer and a director of the Company. The stock options are exercisable at $0.20 per share until July 14, 2017 and vested immediately at the time of grant. The grant date fair value of the stock options was estimated to be $201,600 using the Black-Scholes valuation model on the following assumptions: expected dividend yield of 0%; expected volatility of 100%, risk-free interest rate of 0.39%; and expected life of two years.

(ii) On December 1, 2015, the Company granted an aggregate of 69,000 options to directors of the Company. The options are exercisable at a price of $2.25 per common share and vest in 25% increments quarterly with the first 25% vesting on the date of grant. The stock options expire two years following the vesting date. The grant date fair value of the stock options was estimated to be $116,800 using the Black-Scholes valuation model on the following weighted average assumptions: expected dividend yield of 0%; expected volatility of 150%, risk-free interest rate of 0.62%; and expected life of 2.38 years. For the three and nine months ended November 30, 2016, $nil and $35,250, respectively (November 30, 2015 - $nil and $157,982, respectively) was recorded as share-based compensation in the consolidated statement of loss.

(iii) On February 10, 2016, the Company issued 50,000 common shares upon the exercise of 50,000 stock options with an exercise price of $0.20 for total cash consideration of $10,000.

(Expressed in Canadian Dollars)

### 17. Segment Information

For financial reporting purposes, the Company is comprised of two business segments. Kinek is involved in the operation of a network of parcel pick up and drop off locations in the U.S where they accept and store packages. PUDO's services can be found in convenience stores, gas stations, and other variety stores that are typically open on a "24 hours" basis ("PUDO Points"), allowing registered courier companies and consumers to use these stores as pick-up locations for parcels and letters that require identification and/or signatures in order to release. Management monitors the operating results of business segments separately for the purpose of making decisions about resources to be allocated and of assessing performance. Segment performance is evaluated based on gross profit or loss. Administrative costs, finance costs and income taxes are managed on a group basis.

The following table reflects the revenue and gross profit for the three month period ended November 30, 2016:

| **3 month period ended November 30, 2016** | **Kinek US Border Sites** | **PUDOPoint CAD Sites** | **Total** |
|---|---|---|---|
| Revenue | $ 77,804 | $ 205,078 | $ 282,882 |
| Cost of sales | (2,872) | (95,283) | (98,155) |
| Gross profit | $ 74,932 | $ 109,795 | $ 184,727 |
| Administrative expenses | (41,742) | (348,591) | (390,333) |
| Finance costs | (6,703) | - | (6,703) |
| Net income (loss) | $ 26,487 | $ (238,796) | $ (212,309) |

The following table reflects the revenue and gross profit for the nine month period ended November 30, 2016:

| **9 month period ended November 30, 2016** | **Kinek US Border Sites** | **PUDOPoint CAD Sites** | **Total** |
|---|---|---|---|
| Revenue | $ 218,865 | $ 442,841 | $ 661,706 |
| Cost of sales | (8,837) | (205,936) | (214,773) |
| Gross profit | $ 210,028 | $ 236,905 | $ 446,933 |
| Administrative expenses | (152,356) | (1,157,217) | (1,309,573) |
| Share-based payment | - | (35,250) | (35,250) |
| Finance costs | (20,707) | - | (20,707) |
| Net income (loss) | $ 36,965 | $ (955,562) | $ (918,597) |

All revenue and cost of sales for the comparative periods ended November 30, 2015 related to PUDOPoint CAD sites.

(Expressed in Canadian Dollars)

## 18. Administrative expenses categorized by nature

| | Three Months Ended November 30, 2016 | Three Months Ended November 30, 2015 | Nine Months Ended November 30, 2016 | Nine Months Ended November 30, 2015 |
|---|---|---|---|---|
| Salaries and benefits | **$ 84,789** | $ 53,359 | **$ 299,246** | $ 134,352 |
| General and administrative expenses | **39,875** | 38,058 | **154,736** | 67,370 |
| Sales and customer service consultants | **23,895** | - | **73,747** | - |
| Advertising and promotion | **2,631** | 41,829 | **17,262** | 42,884 |
| Travel and business development | **27,015** | 33,126 | **93,122** | 56,017 |
| Consulting fees | **77,214** | 87,269 | **202,957** | 153,568 |
| Professional fees | **40,763** | 4,550 | **138,556** | 18,150 |
| Investor relations | **26,270** | 57,594 | **101,068** | 75,618 |
| Accounting and office | **18,000** | 37,500 | **54,000** | 52,500 |
| Agent and filing fees | **6,260** | 9,535 | **40,435** | 34,017 |
| Foreign exchange (gain) loss | **(7)** | 3,384 | **6,580** | 5,789 |
| Amortization expense | **43,628** | 7,306 | **127,864** | 12,257 |
| | **$ 390,333** | $ 373,510 | **$ 1,309,573** | $ 652,522 |

## 19. Finance costs

| | Three Months Ended November 30, 2016 | Three Months Ended November 30, 2015 | Nine Months Ended November 30, 2016 | Nine Months Ended November 30, 2015 |
|---|---|---|---|---|
| Interest expense on borrowings | **$ -** | $ - | **$ -** | $ 13,477 |
| Accretion interest on debt acquired (note 11) | **6,703** | - | **20,707** | - |
| Interest expense on amounts due to related company | **-** | 4 | **-** | 1,046 |
| | **$ 6,703** | $ 4 | **$ 20,707** | $ 14,523 |

## 20. Related party transactions

(a) Related party balances and transactions:

During the three and nine month periods ended November 30, 2016 and November 30, 2015, the Company had the following transactions with shareholders and companies under common control and management and directors:

- incurred bookkeeping fees of $18,000 and $54,000, respectively, (three and nine months ended November 30, 2015 - $37,500 and $52,500) to Cardinal Couriers Ltd., a company with common officers and directors.
- incurred interest expense of $nil and $nil, respectively, (three and nine months ended November 30, 2015 - $4 and $1,046) payable to Courier Cardinal Ltée., a company with common officers and directors.
- incurred consulting fees of $nil and $nil, respectively, (three and nine months ended November 30, 2015 - $nil and $31,500) to Courier Depot Network Inc., a significant shareholder of the Company.
- incurred share-based payments of $nil and $35,250, respectively, (three and nine months ended November 30, 2015 $157,982 and $157,982) in relation to stock options granted to an officer and a director of the Company (note 16).

### 20. Related party transactions (continued)

- paid salary and consulting fees to Francesco Coccia, Chief Executive Officer of the Corporation in the amount of $36,000 and $108,000, respectively, (three and nine months ended November 30, 2015 - $10,500 and $10,500) and to Douglas P. Baker, Chief Financial Officer of the Corporation in the amount of $9,800 and $29,355, respectively, (three and nine months ended November 30, 2015 - $nil and $nil).
- For the three and nine months ended November 30, 2016, the Company expensed $nil and $nil, respectively, (three and nine months ended November 30, 2015 - $4,590 and $6,090) to Marrelli Support Services Inc. for the services of Jing Peng to act as the previous Chief Financial Officer of the Company.

As at November 30, 2016, balances payable to the related parties noted above amounted to $37,879 (February 29, 2016 - $7,968) included in trade and other payables.

All related party transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

See also notes 10 and 12.

(b) Major shareholders:

As at November 30, 2016, no person or corporation beneficially owns or exercises control or direction over common shares of the Company carrying more than 10% of the voting rights attached to all of the common shares of the Company other than Palm Holding Inc., a company owned by parties related to a director and other shareholders of PUDO Inc., which owns or controls, directly or indirectly, 46.56% of the issued and outstanding shares of the Company. These shareholdings can change at any time at the discretion of the owner.

None of the Company's major shareholders have different voting rights from other holders of the Company's common shares.

The Company is not currently aware of any arrangements, the operation of which may at a subsequent date result in a change in control of the Company.

### 21. Commitments and contingencies

The Company has entered into various agreements for services, which if terminated by the Company would require payments of up to $165,500. As the triggering events have not occurred, these amounts have not been accrued in the unaudited condensed interim consolidated financial statements as at November 30, 2016.