PUDO INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTH PERIOD ENDED MAY 31, 2017

(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		May 31, 2017		February 28, 2017
Assets				
Current assets				
Cash	$	**281,125**	$	445,723
Restricted short-term investment		**25,000**		25,000
Trade and other receivables (note 6)		**110,671**		117,736
Prepaid expenses and deposits		**24,122**		21,096
Total current assets		**440,918**		609,555
Equipment (note 7)		**45,694**		61,530
Intangible assets (note 8)		**314,135**		339,956
Total assets	$	**800,747**	$	1,011,041
Liabilities				
Current liabilities				
Trade and other payables (notes 9 and 17)	$	**424,064**	$	406,612
Advances payable (note 10)		**15,025**		15,025
Loans and borrowings (note 11)		**31,579**		30,423
Total current liabilities		**470,668**		452,060
Loans and borrowings (note 11)		**128,590**		136,930
Total liabilities		**599,258**		588,990
Shareholders' equity				
Share capital (note 12)		**4,023,582**		3,971,811
Warrants (note 13)		**136,137**		136,137
Stock options (note 14)		**311,656**		333,427
Deficit		**(4,269,886)**		(4,019,324)
Shareholders' equity		**201,489**		422,051
Total liabilities and shareholders' equity	$	**800,747**	$	1,011,041

Nature of operations and going concern (note 1)
Commitments and contingencies (note 18)

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 May 31, 2017	Three Months Ended May 31, 2016
Revenue	**$ 176,528**	$ 144,932
Cost of sales (note 15)	**(48,525)**	(39,737)
Gross profit	**128,003**	105,195
Administrative expenses (note 15)	**(372,378)**	(452,956)
Share-based payment (note 14)	**-**	(25,050)
Operating loss	**(244,375)**	(372,811)
Finance costs (note 16)	**(6,187)**	(7,000)
Net loss and comprehensive loss for the period	**$ (250,562)**	$ (379,811)
Loss per share - basic and diluted	**$ (0.02)**	$ (0.02)
Weighted average number of shares outstanding - basic and diluted	**16,576,684**	16,231,046

PUDO Inc.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

(Expressed in Canadian Dollars)

(Unaudited)

	Number of common shares	Share capital	Warrants	Stock options	Deficit	Total
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 (note12(b)(i))	116,745	350,235	-	-	-	350,235
Broker warrants exercised (note 13)	8,254	-	-	-	-	-
Share-based payment (note 14)	-	-	-	25,050	-	25,050
Net loss for the three month period ended May 31, 2016	-	-	-	-	(379,811)	(379,811)
Balance, May 31, 2016	16,320,514	$ 3,716,518	$ 197,805	$ 302,558	$(3,308,493)	$ 908,388
Warrants expired (note 13)	-	-	(197,805)	-	197,805	-
Share-based payments (note 14)	-	-	-	41,204	-	41,204
Share-based payments forfeited (note 14)	-	-	-	(10,335)	10,335	-
Issuance of common shares in private placement (note 12(b)(ii))	211,234	401,345	-	-	-	401,345
Valuation of broker warrants A and B issued in private placement (note 12(b)(ii) and 13)	-	(136,137)	136,137	-	-	-
Transaction costs incurred for private placement (note 12(b)(ii))	-	(9,915)	-	-	-	(9,915)
Net loss for the nine month period ended February 28, 2017	-	-	-	-	(918,971)	(918,971)
Balance, February 28, 2017	16,531,748	$ 3,971,811	$ 136,137	$ 333,427	$(4,019,324)	$ 422,051
Stock options exercised (note 14(i))	150,000	51,771	-	(21,771)	-	30,000
Net loss for the three month period ended May 31, 2017	-	-	-	-	(250,562)	(250,562)
Balance, May 31, 2017	16,681,748	$ 4,023,582	$ 136,137	$ 311,656	$(4,269,886)	$ 201,489

PUDO Inc.

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

	Three Months Ended May 31, 2017	Three Months Ended May 31, 2016
Cash flows provided by (used in) operating activities		
Net loss for the period	**$ (250,562)**	$ (379,811)
Adjustments for:		
Amortization (note 7 and 8)	**44,794**	44,995
Share-based payment	**-**	25,050
Accretion expense (notes 11 and 16)	**6,187**	7,000
Net change in non-cash working capital:		
Trade and other receivables	**7,065**	24,909
Prepaid expenses and deposits	**(3,026)**	26,980
Trade and other payables	**17,455**	(93,725)
Cash flows provided by (used in) operating activities	**(178,087)**	(344,602)
Cash flows provided by (used in) investing activities		
Purchase of equipment	**(3,137)**	(50,922)
Purchase of intangible assets	**-**	(20,488)
Cash flows provided by (used in) investing activities	**(3,137)**	(71,410)
Cash flows provided by (used in) financing activities		
Proceeds from exercise of options	**30,000**	-
Repayment of advances payable and borrowings	**(13,374)**	-
Cash flows provided by (used in) financing activities	**16,626**	-
Change in cash during the period	**(164,598)**	(416,012)
Cash, beginning of period	**445,723**	891,301
Cash, end of period	**$ 281,125**	$ 475,289

Supplemental information:

Shares issued in acquisition of Kinek	**$ -**	$ 350,235

1. Nature of operations and going concern

PUDO Inc.'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.

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 May 31, 2017, the Company had a working capital (deficiency) of ($29,750), (February 28, 2017 - $157,495), had not yet achieved profitable operations, had used cash of $178,087 for the three month period ended May 31, 2017 (May 31, 2016 - $344,602) in operating activities, and had accumulated losses of $4,269,886 as at May 31, 2017 (February 28, 2017 - $4,019,324). 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 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 July 6, 2017, the date the Board of Directors approved the condensed interim consolidated 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 28, 2017 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, 2018 could result in restatement of these unaudited condensed interim consolidated financial statements.

(b) Basis of presentation

The 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 condensed interim consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

(c) Basis of consolidation

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

2. Basis of preparation (continued)

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, 2018 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 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 2 – Share-based Payments ("IFRS 2") was amended by the IASB in June 2016 to clarify the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The amendments are effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

IFRIC 22 – Foreign Currency Transactions and Advance Consideration ("IFRIC 22") was issued in December 2016 and addresses foreign currency transactions or parts of transactions where there is consideration that is denominated in a foreign currency; a prepaid asset or deferred income liability is recognized in respect of that consideration, in advance of the recognition of the related asset, expense or income; and the prepaid asset or deferred income liability is non-monetary. The interpretation committee concluded that the date of the transaction, for purposes of determining the exchange rate, is the date of initial recognition of the non-monetary prepaid asset or deferred income liability. IFRIC 22 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

(b) Changes in accounting standards

The Company has adopted the following amendment effective March 1, 2017.

IAS 7 – Statement of Cash Flows ("IAS 7") was amended in January 2016 to clarify that disclosures shall be provided that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments are effective for annual periods beginning on or after January 1, 2017.

3. Significant accounting policies (continued)

IAS 12 – Income Taxes ("IAS 12") was amended in January 2016 to clarify that, among other things, unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary differences regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use; the carrying amount of an asset does not limit the estimation of probable future taxable profits; and estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences. The amendments are effective for annual periods beginning on or after January 1, 2017.

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.

There was no material impact on the adoption of these standards on the 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 and advances payable approximate their fair values, given their short-term nature.

(b) Financial risk factors

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

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

(i) Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet commitments it has entered into with the Company. The financial assets that potentially expose the Company to credit risk consist principally of cash or other receivables. The extent of the Company's exposure to credit risk approximate their carrying values are recorded in the Company's consolidated statement of financial position.

During the three month period ended May 31, 2017, one customer represented approximately $95,000 of revenue (May 31, 2016 - one customer represented approximately $79,000 of revenue). Accounts receivable from one customer represents approximately $48,208 of trade and other receivables as at May 31, 2017 (February 28, 2017 – $67,364 from one customer). This one customer is comprised of three different businesses operated independently under common control.

(Expressed in Canadian Dollars)

4. Financial risk management (continued)

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 reporting date was:

	May 31, 2017	February 28, 2017
Trade and other receivables	**$ 110,671**	$ 117,736
Cash	**281,125**	445,723
Restricted short-term investment	**25,000**	25,000
	$ 416,796	$ 588,459

(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:

	May 31, 2017	February 28, 2017
	<1 year	< 1 year
Trade and other payables	**$ 424,064**	$ 406,612
Advances payable	**15,025**	15,025
	$ 439,089	$ 421,637
Loans and borrowings – 12 monthly instalments of $4,458 < 1 year	$ **53,496**	$ 53,496
Loans and borrowings – 36 monthly instalments of $4,458 > 1 year	$ **160,488**	$ 173,862

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. All of the Company's equipment and intangible assets are located in Canada.

Revenue by geographic region is as follows:

	May 31, 2017	May 31, 2016
Canada	**$ 104,810**	$ 79,547
United States of America	**71,718**	65,385
	$ 176,528	$ 144,932

4. Financial risk management (continued)

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 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. The Company also entered into investment loan agreements which were denominated in US dollars which had exposed the Company to foreign currency risk due to fluctuations in the exchange rate. As at May 31, 2017, the Company had cash of US$170,262 ($228,935) (February 28, 2017 – US$220,357 ($288,690)) and accounts receivable of US$30,540 ($40,925) (February 28, 2017- US$30,558 ($40,034)).

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.

(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 three month period ended May 31, 2017 and year ended February 28, 2017.

(v) 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 May 31, 2017, would affect the net loss by approximately plus or minus $3,000 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 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.

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 the end of each reporting year.

5. Critical accounting estimates and judgments (continued)

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 and at objective evidence, significant or prolonged decline of fair value on assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at the end of each reporting year.

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 at 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.

Contingencies
Refer to Note 18

Valuation of debt
Refer to Note 11

(Expressed in Canadian Dollars)

6. Trade and other receivables

	May 31, 2017	February 28, 2017
Trade receivables	**$ 89,170**	$ 107,691
HST receivable	**13,977**	2,030
Other receivables	**7,524**	8,015
	$ 110,671	$ 117,736

There were no allowances for doubtful accounts as at May 31, 2017 and February 28, 2017.

7. Equipment

Cost	
Balance at February 29, 2016	$ 128,825
Additions	67,226
Disposals	(46,053)
Balance at February 28, 2017	$ 149,998
Additions	3,137
Balance at May 31, 2017	**$ 153,135**
Accumulated amortization	
Balance at February 29, 2016	$ 16,838
Amortization	105,122
Disposals	(33,492)
Balance at February 28, 2017	$ 88,468
Amortization	18,973
Balance at May 31, 2017	**$ 107,441**
Carrying amounts	
Balance at February 28, 2017	$ 61,530
Balance at May 31, 2017	**$ 45,694**

(Expressed in Canadian Dollars)

8. Intangible assets

		Computer Software
Cost		
Balance at February 29, 2016	$	25,000
Additions		589,098
Balance at February 28, 2017 and May 31, 2017	$	**614,098**
Accumulated amortization and impairment		
Balance at February 29, 2016	$	11,042
Amortization and impairment		263,100
Balance at February 28, 2017	$	274,142
Amortization		25,821
Balance at May 31, 2017	**$**	**299,963**
Carrying amounts		
Balance at February 28, 2017	$	339,956
Balance at May 31, 2017	**$**	**314,135**

During the three month period ended May 31, 2017, an impairment of $nil (year ended February 28, 2017 - $177,601) was included in amortization expense.

9. Trade and other payables

		May 31, 2017		February 28, 2017
Trade payables	**$**	**300,157**	$	286,519
Other payables		**31,717**		31,418
Accrued liabilities		**92,190**		88,675
	$	**424,064**	$	406,612

10. Advances payable

At May 31, 2017, the Company had advances payable of $15,025 (February 28, 2017 - $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. 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 $6,187 (May 31, 2016 - $7,000) during the three month period ended May 31, 2017. The rate used in determining the

(Expressed in Canadian Dollars)

11. Loans and borrowings (continued)

appropriate present value of the borrowings was subject to significant management estimation.

		May 31, 2017	February 28, 2017
Loan payable (Atlantic Canada Opportunities Agency) 48 instalments repayable at $4,458 per month	**$**	**160,169**	167,353
Less: Current portion		**31,579**	30,423
	$	**128,590**	136,930

Repayments on the borrowings include the following:

June 1, 2017 to February 28, 2018	$	40,122
March 1, 2018 to February 28, 2019		53,496
March 1, 2019 to February 29, 2020		53,496
March 1, 2020 to February 28, 2021		53,496
March 1, 2021 to June 22, 2021		13,349
Principal amount	$	213,959

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).

(Expressed in Canadian Dollars)

12. Share capital (continued)

(b) Issued

Common Shares	Number		Amount
Balance of common shares, February 29, 2016	**16,195,515**	**$**	**3,366,283**
Exercise of broker warrants (note 13)	8,254		-
Issuance of common shares in acquisition of Kinek (i)	116,745		350,235
Issuance of common shares in private placement (ii)	211,234		265,208
Transaction costs incurred for private placement (ii)			(9,915)
Balance, February 28, 2017	**16,531,748**	**$**	**3,971,811**
Exercise of stock options (note 14)	150,000		51,771
Balance, May 31, 2017	**16,681,748**	**$**	**4,023,582**

(i) 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.

(ii) On February 27, 2017, the Company closed a non-brokered private placement of 211,234 units at a price of $1.90 per unit for total proceeds of $401,345. Each unit is comprised of one common share and one-half of one common share purchase warrant A and one-half of one common share purchase warrant B. Each whole warrant A is exercisable into one common share of the Company at $1.75 per share up to March 29, 2019. Each whole warrant B is exercisable into one common share of the Company at $2.50 per share up to March 29, 2019. The warrants have an estimated grant date fair value of $136,137 (comprised of $72,908 related to Warrant A and $63,229 related to Warrant B), using the Black-Scholes valuation model with the following assumptions: risk-free interest rate of 0.76%, expected life of 2.08 years, expected volatility of 120% based on the historical volatility of the Company's shares, and expected dividend yield of 0%. The Company incurred share issue costs of $9,915 in connection with the private placement.

13. Warrants

The following table reflects the continuity of warrants for the three month period ended May 31, 2017 and the year ended February 28, 2017:

	Number of warrants		Exercise price
Balance, February 29, 2016	**242,737**	**$**	**4.00**
Broker warrants exercised	(8,254)		0.63
Warrants expired	(234,483)		4.00
Warrants A issued in private placement (note 12(b)(ii))	105,617		1.75
Warrants B issued in private placement (note 12(b)(ii))	105,617		2.50
Balance, February 28, 2017 and May 31, 2017	**211,234**	**$**	**2.12**

(Expressed in Canadian Dollars)

13. Warrants (continued)

The following table reflects the warrants issued and outstanding as of May 31, 2017:

Expiry Date	Exercise price ($)	Estimated grant date fair value ($)	Number of warrants outstanding
March 29, 2019	1.75	72,908	105,617
March 29, 2019	2.50	63,229	105,617
		136,137	211,234

On February 10, 2016, the Company issued 31,746 common shares, upon the exercise of 8,254 broker warrants.

On February 12, 2017, 234,483 warrants expired. The estimated grant date fair value of the warrants of $197,805 was charged to deficit.

14. 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 not exceed 20% of the total issued and outstanding common shares.

The following table reflects the continuity of stock options for the three month period ended May 31, 2017 and the year ended February 28, 2017:

	Number of stock options	Exercise price	
Balance, February 29, 2016	**1,419,000**	**$**	**0.30**
Granted	15,000		3.00
Options forfeited	(5,000)		3.00
Balance, February 28, 2017	**1,429,000**	**$**	**0.30**
Options exercised (i)	(150,000)		0.20
Balance, May 31, 2017	**1,279,000**	**$**	**0.30**

(Expressed in Canadian Dollars)

14. Stock options (continued)

The following table reflects the actual stock options issued and outstanding as of May 31, 2017:

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	0.12	1,200,000	1,200,000	$ 174,187
December 1, 2017	2.25	0.50	17,250	17,250	27,700
March 1, 2018	2.25	0.75	17,250	17,250	28,800
June 1, 2018	2.25	1.00	17,250	17,250	29,700
September 1, 2018	2.25	1.25	17,250	17,250	30,600
March 3, 2018	3.00	0.75	10,000	10,000	20,669
	0.24	0.73	1,279,000	1,279,000	$ 311,656

(i) On May 2, 2017, a director and officer of the Company exercised 150,000 options at $0.20 per share.

15. Expenses categorized by nature

Cost of sales	May 31, 2017	May 31, 2016
External processing charges	**$ 46,291**	$ 39,737
Computer and web access charges	**2,234**	-
	$ 48,525	$ 39,737
Administrative expenses		
Salaries and benefits	**$ 100,187**	$ 110,978
General and administrative expenses	**39,758**	44,817
Advertising and promotion	**10,697**	10,693
Travel and business development	**5,992**	33,610
Consulting fees	**72,852**	57,739
Professional fees	**45,442**	40,765
Sales and services	**27,010**	27,937
Investor relations	**6,696**	42,407
Accounting and office	**18,000**	18,000
Agent and filing fees	**6,735**	16,035
Foreign exchange loss (gain)	**(5,785)**	4,980
Amortization expense	**44,794**	44,995
	$ 372,378	$ 452,956

(Expressed in Canadian Dollars)

16. Finance costs

	May 31, 2017	May 31, 2016
Accretion interest on debt acquired (note 11)	**$ 6,187**	$ 7,000

17. Related party transactions

(a) Related party balances and transactions:

During the three month periods ended May 31, 2017 and May 31, 2016, respectively, the Company had the following transactions with shareholders and companies under common control and management and directors:

- incurred bookkeeping fees, included in professional fees of $18,000 (2016 - $18,000) to Cardinal Couriers Ltd., a company with common officers and directors.

- paid salary and consulting fees to Francesco Coccia, Chief Executive Officer of the Corporation in the amount of $36,000 (2016 - $36,000) and to Douglas P. Baker, Chief Financial Officer of the Corporation in the amount of $10,074 (2016 - $9,800) and to Matthew McDonough, Vice-President of the Corporation in the amount of $32,152 (2016 - $33,835).

As at May 31, 2017, balances payable to the related parties noted above amounted to $162,490 (February 28, 2017 - $135,806) and is included in trade and other payables. These balances are unsecured, non-interest bearing and due on demand.

See also notes 10, 12 and 18.

(b) Major shareholders:

As at May 31, 2017, 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, 45% 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.

18. Commitments and contingencies

The Company has entered into various agreements for services, which if terminated by the Company would require payments of approximately $165,000. As the triggering events have not occurred, these amounts have not been accrued in the condensed interim consolidated financial statements as at May 31, 2017.

The Company has committed to issue 20,000 stock options to certain key employees in the course of negotiating their employment arrangements.