PUDO INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTH PERIOD ENDED MAY 31, 2018

(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		May 31, 2018		February 28, 2018
Assets					
Current assets					
Cash		**$**	**352,082**	$	373,827
Restricted short-term investment			**25,126**		25,000
Trade and other receivables	4, 6		**145,217**		95,036
Prepaid expenses and deposits			**25,063**		28,167
Total current assets			**547,488**		522,030
Non-current assets					
Equipment	7		**26,572**		26,687
Intangible assets	8		**232,958**		269,724
Total assets		**$**	**807,018**	$	818,441
Liabilities					
Current liabilities					
Trade and other payables	9, 15	**$**	**327,573**	$	298,205
Loans and borrowings	10		**36,655**		35,314
Total current liabilities			**364,228**		333,519
Non-current liabilities					
Loans and borrowings	10		**91,934**		101,616
Total liabilities			**456,162**		435,135
Shareholders' equity					
Share capital	11		**5,668,410**		5,148,042
Warrant reserve	12		346,214		481,750
Stock option reserve	13		882,568		884,654
Deficit			(6,546,336)		(6,131,140)
Shareholders' equity			**350,856**		383,306
Total liabilities and shareholders' equity		**$**	**807,018**	$	818,441

Nature of operations and going concern (note 1)
Commitments and contingencies (note 16)

Approved by the Board of Directors:
"*Kurtis Arnold*"
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)

	Notes		Three Months Ended May 31, 2018		Three Months Ended May 31, 2017
Revenue	4	$	**187,264**	$	176,528
Cost of sales	14		**(49,848)**		(48,525)
Gross profit			**137,416**		128,003
Administrative expenses	14		**(549,567)**		(372,378)
Share-based compensation	13		**(26,714)**		-
Operating loss			**(438,865)**		(244,375)
Finance costs	10		**(5,131)**		(6,187)
Net loss and comprehensive loss for the year		**$**	**(443,996)**	$	(250,562)
Loss per share - basic and diluted		**$**	**(0.02)**	$	(0.02)
Weighted average number of shares outstanding - basic and diluted			**19,066,853**		16,576,684

See accompanying notes to the unaudited condensed interim consolidated financial statements

PUDO Inc.

Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)
(Unaudited)

	# of common shares	Share capital	Warrant Reserve	Stock option Reserve	Deficit	Total
Balance, February 28, 2017	16,531,748	$ 3,971,811	$ 136,137	$ 333,427	$(4,019,324)	$ 422,051
Stock options exercised (note 13(ii))	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
Stock options exercised (note 13(ii))	1,200,000	414,187	-	(174,187)	-	240,000
Share-based compensation (note 13)	-	-	-	777,139	-	777,139
Share-based compensation forfeited (note 13)	-	-	-	(49,954)	49,954	-
Issuance of common shares in private placement (note 11(b)(iii))	869,160	516,947	352,213	-	-	869,160
Issuance of common shares in lieu of debt (note 11(b)(iii))	224,725	224,726	-	-	-	224,726
Issuance of stock options in lieu of debt (note 13(v))	-	-	-	20,000	-	20,000
Transaction costs incurred for private placement (note 11(b)(iii))	-	(58,000)	-	-	-	(58,000)
Broker warrants exercised (note 12)	20,000	26,600	(6,600)	-	-	20,000
Net loss for the nine month period ended February 28, 2018	-	-	-	-	(1,911,208)	(1911,208)
Balance, February 28, 2018	18,995,633	$ 5,148,042	$ 481,750	$ 884,654	$ (6,131,140)	$ 383,306
Share-based compensation forfeited (note 13)	-	-	-	(28,800)	28,800	-
Share-based compensation (note 13)	-	-	-	26,714	-	26,714
Broker warrants exercised (note 12)	328,126	520,368	(135,536)	-	-	384,832
Net loss for the three month period ended May 31, 2018	-	-	-	-	(443,996)	(443,996)
Balance, May 31, 2018	19,323,759	$ 5,668,410	$ 346,214	$ 882,568	$ (6,546,336)	$ 350,856

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	Three Months Ended May 31, 2018	Three Months Ended May 31, 2017
Cash flows (used in) provided by operating activities			
Net loss for the period		**$ (443,996)**	$ (250,562)
Adjustments for:			
Amortization	7, 8	**47,063**	44,794
Accretion expense	10	**5,131**	6,187
Share-based compensation	13	**26,714**	-
Net change in non-cash working capital:			
Restricted short-term investment		**(126)**	-
Trade and other receivables		**(50,181)**	7,065
Prepaid expenses and deposits		**3,104**	3,026)
Trade and other payables		**15,896**	17,455
Cash flows used in operating activities		**(396,395)**	(178,087)
Cash flows used in investing activities			
Purchase of equipment	7	**(8,844)**	(3,137)
Purchase of intangible assets	8	**(1,338)**	-
Cash flows used in investing activities		**(10,182)**	(3,137)
Cash flows provided by (used in) financing activities			
Exercise of warrants and options		**384,832**	30,000
Repayment of advances payable and borrowings		**-**	(13,374)
Cash flows provided by financing activities		**84,832**	16,626
Change in cash during the period		**(21,745)**	(164,598)
Cash, beginning of period		**373,827**	445,723
Cash, end of period		**$ 352,082**	$ 281,125

See accompanying notes to the unaudited condensed interim consolidated financial statements

1. Nature of operations and going concern

PUDO Inc.'s (the "Company") principal activity is using technology to improve the connection between E-commerce and consumers. The Company deploys their 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") and courier companies, consumers can take secure delivery of their parcels or drop-off returns where it's convenient, when it's convenient. Existing businesses, such as convenience stores or gas stations, provide services as PUDO Points™ ("PUDO Points").

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 May 31, 2018, the Company had working capital of $183,260 (February 28, 2018 - $188,511), had not yet achieved profitable operations, had used cash of $396,395 for the three month period ended May 31, 2018 (May 31, 2017 - $178,087) in operating activities, and had a deficit of $6,546,336 as at May 31, 2018 (February 28, 2018 - $6,131,140). 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 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), effective as of March 1, 2018, and interpretations issued by the IFRS Interpretations Committee ("IFRIC").

The condensed interim consolidated financial statements of the Company for the three month period ended May 31, 2018 were approved and authorized for issue by the Board of Directors on July 5, 2018.

(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.

(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. 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, 2019 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 16 – *Leases* ("IFRS 16") was amended in January 2016 which replaces IAS 17 - *Leases* and addresses the accounting of leases. IFRS 16 eliminates the classification as an operating lease and requires lessees to recognize a right-of-use asset and a lease liability in the statement of financial position for all leases with exemptions permitted for short-term leases and leases of low value assets. In addition, IFRS 16 changes the definition of a lease, sets the requirement on how to account for the asset and liability, including complexities such as non-lease elements, variable lease payments and options periods. IFRS 16 is effective for annual years beginning on or after January 1, 2019.

(b) Changes in accounting standards

The Company has adopted the following standards effective March 1, 2018.

IFRS 9 – *Financial Instruments* ("IFRS 9") was issued by the IASB in November 2009 with additions in October 2010 and August 2013 and replaces *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. There was no material impact on the adoption of these standards on the condensed interim consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers

On March 1, 2018, the Company adopted IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") which supersedes IAS 18 – Revenue ("IAS 18"). IFRS 15 establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard is effective for annual periods beginning on or after January 1, 2018. The Company adopted the standard on March 1, 2018 using the full retrospective approach. As the company already observed a similar revenue recognition process, there was no impact on adoption of IFRS 15.

IFRS 15 requires entities to recognize revenue when 'control' of goods or services transfers to the customer whereas the previous standard, IAS 18, required entities to recognize revenue when the "risks and rewards' of the goods or services transfer to the customer.

The Company provides technology and a network of third party locations where consumers can pick up or drop off parcels and revenue is generated in two ways (i) when a courier cannot deliver a parcel to a residential customer, they may choose to drop the parcel off at a PUDO Point; and (ii) consumers choose to have their parcels delivered directly to a Kinek or PUDO Point.

In each event, the Company recognizes revenue when the services are provided, when persuasive evidence of an arrangement exists, the fixed price is determinable and there is reasonable assurance of collection.

The Company has adopted the following amendments effective March 1, 2018.

IFRS 2 – *Share-based Compensation* ("IFRS 2") was amended by the IASB in June 2016 to clarify the accounting for cash-settled share-based compensation transactions that include a performance condition, the classification of share-based compensation transactions with net settlement features and the accounting for modifications of share-based compensation transactions from cash-settled to equity-settled.

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.

There was no material impact on the adoption of these amendments on the condensed interim consolidated financial statements.

4. Financial risk management

(a) Fair values

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

(b) Financial risk factors

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

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

(i) Credit risk

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

(Expressed in Canadian Dollars)

4. Financial risk management (continued)

		As at/3 month period ended May 31, 2018		As at/ year ended February 28, 2018
Revenue from one customer	**$**	**93,058**	$	363,307
% of total revenue		**50%**		52%
Account receivable from one customer	**$**	**67,213**	$	41,400
% of total accounts receivable		**46%**		47%

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

		May 31, 2018		February 28, 2018
Cash	**$**	**352,082**	$	373,827
Restricted short-term investment		**25,126**		25,000
Trade and other receivables		**145,217**		95,036
	$	**522,425**	$	493,863

(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:

As at May 31, 2018		**1 Year or Less**		**Greater than 1 year**		**Total**
Trade and other payables	$	327,573	$	-	$	327,573
Loans and borrowings (36 monthly instalments of $4,458)		53,496		106,992		160,488
	$	381,069	$	106,992	$	488,061

As at February 28, 2018		**1 Year or Less**		**Greater than 1 year**		**Total**
Trade and other payables	$	298,205	$	-	$	298,205
Loans and borrowings (39 monthly instalments of $4,458)		53,496		120,366		173,862
	$	351,701	$	120,366	$	472,067

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

4. 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 month period ended is as follows:

		May 31, 2018		May 31, 2017
Canada	**$**	**99,505**	$	104,810
United States of America		**87,759**		71,718
	$	**187,264**	$	176,528

(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 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 May 31, 2018 and February 28, 2018, the Company had cash, trade and other receivables and trade and other payables denominated in US dollars as follows:

As at May 31, 2018		**USD**		**CAD**
Cash	$	72,637	**$**	94,392
Trade and other receivables		41,531		53,982
Trade and other payables		(19,477)		(23,721)

As at February 28, 2018		**USD**		**CAD**
Cash	$	272,926	**$**	346,234
Trade and other receivables		35,336		44,827
Trade and other payables		(24,115)		(30,952)

(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.

(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

4. Financial risk management (continued)

Company defines capital as equity and borrowings. As at May 31, 2018, the Company had equity of $350,856 (February 28, 2018 - $383,306) and borrowings of $128,589 (February 28, 2018 - $136,930).

The Company's capital management objectives, policies and processes have remained materially unchanged during the three month period ended May 31, 2018 and year ended February 28, 2018.

(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 May 31, 2018, would affect the net loss by approximately plus or minus $2,000 during a year.

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.

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.

Share-based compensation
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 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 behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

(Expressed in Canadian Dollars)

6. Trade and other receivables

	May 31, 2018	February 28, 2018
Trade receivables	**$ 118,768**	$ 86,252
HST receivable	**20,028**	2,354
Other receivables	**6,421**	6,430
	$ 145,217	$ 95,036

Allowance for doubtful accounts as at May 31, 2018 was $1,977 (February 28, 2018 – $1,318).

7. Equipment

	Scanners and Tablets
Cost	
Balance at February 28, 2017	$ 149,998
Additions	25,716
Balance at February 28, 2018	**$** 175,714
Additions	8,844
Balance at May 31, 2018	**$ 184,558**
Accumulated amortization	
Balance at February 28, 2017	$ 88,468
Amortization	60,559
Balance at February 28, 2018	$ 149,02
Amortization	8,959
Balance at May 31, 2018	**$ 157,986**
Carrying amounts	
Balance at February 28, 2018	$ 26,687
Balance at May 31, 2018	**$ 26,572**

(Expressed in Canadian Dollars)

8. Intangible assets

		Computer Software
Cost		
Balance at February 28, 2017	$	614,098
Additions		35,112
Balance at February 28, 2018	**$**	649,210
Additions		1,338
Balance at May 31, 2018	**$**	**650,548**
Accumulated amortization and impairment		
Balance at February 28, 2017	$	274,142
Amortization		105,344
Balance at February 28, 2018	$	379,486
Amortization		38,104
Balance at May 31, 2018	**$**	**417,590**
Carrying amounts		
Balance at February 28, 2018	$	269,724
Balance at May 31, 2018	**$**	**232,958**

9. Trade and other payables

		May 31, 2018		February 28, 2018
Trade payables	**$**	**197,848**	$	177,847
Other payables		**58,383**		56,152
Accrued liabilities		**71,342**		64,206
	$	**327,573**	$	298,205

10. Loans and borrowings

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 $5,131 (May 31, 2017 - $6,187) for the three month period ended May 31, 2018. The rate used in determining the appropriate present value of the borrowings was subject to management estimation.

(Expressed in Canadian Dollars)

10. Loans and borrowings (continued)

		May 31, 2018		February 28, 2018
Loan payable (Atlantic Canada Opportunities Agency) 36 instalments repayable at $4,458 per month	**$**	**160,488**	$	173,862
Less: Discount future contractual cash flows		**31,899**		36,932
		128,589		136,930
Less: Current portion		**36,655**		35,314
	$	**91,934**	$	101,616

Future repayments on the borrowings as at May 31, 2018 include the following:

June 1, 2018 to February 28, 2019	$	40,122
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	**$**	**160,488**

11. 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).

(Expressed in Canadian Dollars)

11. Share capital (continued)

(b) Issued

Common Shares	**Number**		**Amount**
Balance, February 28, 2017	**16,531,748**	**$**	**3,971,811**
Exercise of stock options (note 13)	150,000		51,771
Balance, May 31, 2017	**16,681,748**	**$**	**4,023,582**
Exercise of stock options (note 13)	1,200,000		414,187
Issuance of common shares in private placement (i)	869,160		869,160
Issuance of common shares in lieu of debt (i)	224,725		224,726
Valuation of warrants issued in private placement (i)			(352,213)
Transaction costs incurred for private placement (i)			(58,000)
Exercise of broker warrants (note 12)	20,000		26,600
Balance, February 28, 2018	**18,995,633**	**$**	**5,148,042**
Exercise of warrants (note 12)	328,126		520,368
Balance, May 31, 2018	**19,323,759**	**$**	**5,668,410**

(i) In August 2017, the Company closed a non-brokered private placement of 533,580 units. Each unit is comprised of two common shares and two warrants. Each warrant entitles the holder to acquire one common share for $1.00 per share up to August 24, 2018. In addition to the 533,580 units, 26,725 common shares at an issue price of $1.00 per common share were issued to certain related party shareholders in settlement of $26,726 of debt. There were no warrants attached to these units.

The gross proceeds received as a result of the private placement was $869,160 for 434,580 units.

As part of this private placement the Company settled a total of $224,726 in debt to certain shareholders as follows:

	Units		**Amount**
Units to settle debt at the private placement issue price of $2.00 per unit	74,000	$	148,000
Units to settle debt at the private placement issue price of $1.00 per unit	26,725		26,726
Units to settle debt of finders fees at issue price of $2.00 per unit	25,000		50,000
	125,725	$	**224,726**

The Company incurred share issue costs of $58,000 in connection with the private placement which includes a finder's fee of 25,000 units at $2.00 per unit.

The warrants have an estimated grant date proportionate fair value of $352,213, using the Black-Scholes valuation model with the following assumptions: risk-free interest rate of 1.17%, expected life of 1.0 year, expected volatility of 98.33% based on the historical volatility of the Company's shares, and expected dividend yield of 0%.

(Expressed in Canadian Dollars)

12. Warrant reserve

The following table reflects the continuity of warrants for the three month period ended May 31, 2018 and the year ended February 28, 2018:

	Number of Warrants	Exercise price
Balance, February 28, 2017 and May 31, 2017	**211,234**	**$ 2.12**
Warrants issued in private placement (note 11(i))	1,067,160	1.00
Broker warrants exercised	(20,000)	1.00
Balance, February 28, 2018	**1,258,394**	**$ 1.19**
Broker warrants exercised	(75,608)	1.75
Broker warrants exercised	(52,518)	1.00
Broker warrants exercised	(200,000)	1.00
Balance, May 31, 2018	**930,268**	**$ 1.19**

The following table reflects the warrants issued and outstanding as of May 31, 2018:

Expiry Date	Exercise price ($)	Issue date fair value ($)	Number of warrants outstanding
March 29, 2019	1.75	20,715	30,009
March 29, 2019	2.50	63,229	105,617
August 24, 2018	1.00	262,270	794,642
		346,214	930,268

On January 12, 2018, the Company issued 20,000 common shares upon the exercise of 20,000 broker warrants.

On April 3, 2018, 128,126 common shares of the Company were issued upon the exercise of 75,608 Warrants A at $1.75 per share and 52,518 warrants at $1.00 per share for total proceeds of $184,832.

On May 31, 2018, 200,000 common shares of the Company were issued upon the exercise of 200,000 warrants at $1.00 per share for total proceeds of $200,000.

13. 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.

(Expressed in Canadian Dollars)

13. Stock option reserve (continued)

The following table reflects the continuity of stock options for the three month period ended May 31, 2018 and the year ended February 28, 2018:

	Number of stock options	Exercise price
Balance, February 29, 2017	**1,429,000**	**$ 0.30**
Options exercised (i)	(150,000)	0.20
Balance, May 31, 2017	**1,279,000**	**$ 0.30**
Options exercised (i)	(1,200,000)	0.20
Options forfeited (ii)	(10,000)	3.00
Granted (iii, iv and v)	322,000	1.20
Options forfeited (iv)	(5,000)	1.20
Granted (vi)	2,690,000	1.30
Granted (vii)	108,000	2.47
Options expired (viii)	(17,250)	2.25
Balance, February 28, 2018	**3,166,750**	**$ 1.35**
Options expired (viii)	(17,250)	2.25
Balance, May 31, 2018	**3,149,500**	**$ 1.34**

The following table reflects the actual stock options issued and outstanding as at May 31, 2018:

Expiry date	Exercise price ($)	Remaining contractual life (years)	Weighted average number of options outstanding	Options vested (exercisable)	Estimated grant date fair value
June 1, 2018	2.25	0.01	17,250	17,250	29,700
September 1, 2018	2.25	0.25	17,250	17,250	30,600
August 16, 2019 (iii)	1.20	1.25	102,000	102,000	25,198
August 31, 2020 (iv)	1.20	2.25	195,000	195,000	61,818
August 31, 2020 (v)	1.20	2.25	20,000	20,000	20,000
October 26, 2022 (vi)	1.30	4.40	2,690,000	616,250	688,538
January 28, 2021 (vii)	2.47	2.67	108,000	15,000	26,714
	1.34	2.19	3,149,500	982,750	$ 882,568

(i) During the year ended February 28, 2018, an officer of the Company exercised 1,200,000 options at $0.20 per share and a director of the Company exercised 150,000 options at $0.20 per share.

(ii) On March 3, 2016, the Company granted 15,000 options to employees of the Company, 10,000 of which were subsequently forfeited in 2018. The amount of $20,669 was reclassified to the deficit for the year ended February 28, 2018.

(iii) In July 2017, the Company granted an aggregate of 102,000 options to directors of the Company. The options are exercisable at a price of $1.20 per common share and vest in 25% increments quarterly with the first 25%

13. Stock option reserve (continued)

vesting on the date of grant. The stock options expire August 14, 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. For the year ended February 28, 2018, $25,198 was recorded as share-based compensation in the consolidated statement of loss.

(iv) 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 30,000 vesting December 1, 2017 and 170,000 vesting October 1, 2017. The stock options expire 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. For the year ended February 28, 2018, $61,818 was recorded as share-based compensation in the consolidated statement of loss. On February 9, 2018, 5,000 options to an employee of the Company were forfeited and $1,585 was reclassified to the deficit for the year ended February 28, 2018.

(v) In July 2017, the Company granted 20,000 options to an officer of the Company in lieu of a debt of $20,000. The vesting date is October 1, 2017. The options are exercisable at a price of $1.20 per common share. The stock options expire August 31, 2020. For the year ended February 28, 2018, $nil was recorded as share-based compensation in the consolidated statement of loss.

(vi) In October 2017, the Company granted 2,690,000 stock options to officers and directors of the Company. The options are exercisable at a price of $1.30 per common share and expire on October 26, 2022. Of the total issued, 225,000 were issued to directors and vest in 33.33% increments yearly with the first 33.33% vesting on February 28, 2019. The balance of 2,465,000 options issued to officers vest in 25% increments yearly with the first 25% vesting on February 28, 2018. 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. For the year ended February 28, 2018, $688,538 was recorded as share-based compensation in the consolidated statement of loss.

(vii) In January 2018, the Company granted 108,000 stock options to consultants of the Company. The options are exercisable at a price of $2.47 per common share and expire on January 8, 2021. The options vest in 50% increments yearly with the first 50% vesting on November 1, 2018. 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 three month period ended May 31, 2018, $26,714 was recorded as share-based compensation in the consolidated statement of loss.

(viii) On February 1, 2018, 17,250 options of the Company expired. The amount of $27,700 was reclassified to the deficit for the year ended February 28, 2018. On March 1, 2018, 17,250 options of the Company expired. The amount of $28,800 was reclassified to the deficit for the three month period ended May 31, 2018.

(Expressed in Canadian Dollars)

14. Expenses categorized by nature

Cost of sales	Three Months Ended May 31, 2018	Three Months E nded May 31, 2017
External processing charges	**$ 46,932**	$ 46,291
Computer and web access charges	**2,916**	2,234
	$ 49,848	$ 48,525

Administrative expenses	Three Months Ended May 31, 2018	Three Months Ended May 31, 2017
Salaries and benefits	**$ 299,470**	$ 121,949
General and administrative expenses	38,895	45,506
Travel, promotion and business development	30,427	16,189
Consulting fees	43,580	72,852
Professional fees	25,864	45,442
Investor relations	3,059	6,696
Accounting and office	41,850	18,000
Agent and filing fees	13,025	6,735
Foreign exchange loss (gain)	6,334	(5,785)
Amortization (notes 7 and 8)	47,063	44,794
	$ 549,567	$ 72,378

15. Related party balances and transactions

During the three month period ended May 31, 2018, the Company incurred bookkeeping fees and office rental, which is included in accounting and office expense, for $41,850 (May 31, 2017 - $18,000) to a company with common officers and directors.

During the three month periods ended May 31, 2018 and 2017, the Company had the following transactions with shareholders, management and directors:

	Three Months Ended May 31, 2018	Three Months Ended May 31, 2017
Salaries and benefits	**$ 162,079**	$ 36,000
Consulting fees	**9,750**	42,226
	$ 171,829	$ 78,226

As at May 31, 2018, balances payable to the related parties noted above amounted to $94,456 (February 28, 2018 - $62,533) and are included in trade and other payables. These balances are unsecured, non-interest bearing and due on demand.

See also notes 11 and 13.

16. 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 May 31, 2018.