PUDO INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTH PERIODS ENDED MAY 31, 2020 AND 2019

(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, 2020	February 29, 2020
Assets			
Current assets			
Cash		**$ 1,518,105**	$ 2,038,493
Restricted short-term investment		**25,504**	25,378
Trade and other receivables	3, 5	**141,122**	213,701
Prepaid expenses and deposits		**42,276**	53,121
Total current assets		**1,727,007**	2,330,693
Non-current assets			
Equipment	6	**60,793**	52,942
Intangible assets	7	**67,438**	84,686
Total assets		**$ 1,855,238**	$ 2,468,321
Liabilities			
Current liabilities			
Trade and other payables	8, 14	**$ 425,126**	$ 507,683
Loans and borrowings	9	**49,387**	277,041
Total current liabilities		**474,513**	784,724
Non-current liabilities			
Loans and borrowings	9	**-**	13,045
Total liabilities		**474,513**	797,769
Shareholders' equity			
Share capital	10	**8,260,886**	8,260,886
Warrant reserve	11	**1,499,079**	1,499,079
Stock option reserve	12	**2,108,971**	2,069,620
Deficit		**(10,488,211)**	(10,159,033)
Shareholders' equity		**1,380,725**	1,670,552
Total liabilities and shareholders' equity		**$ 1,855,238**	$ 2,468,321

Nature of operations and going concern (note 1)
Commitments and contingencies (note 15)
Subsequent events (note 16)

Approved by the Board of Directors:
"*Thomas Bijou*"
Director
"*Richard Cooper*"
Director

See accompanying notes to the unaudited condensed interim consolidated financial statements

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

	Notes		Three Months Ended May 31, 2020		Three Months Ended May 31, 2019
Revenue	3	$	**313,633**	$	214,979
Cost of sales	13		**(209,157)**		(70,377)
Gross profit			**104,476**		144,602
Administrative expenses	13		**(388,038)**		(559,935)
Share-based compensation	12		**(39,351)**		(153,789)
Operating loss			**(322,913)**		(569,122)
Finance costs	9		**(6,265)**		(30,488)
Net loss and comprehensive loss for the period		**$**	**(329,178)**	$	(599,610)
Loss per share - basic and diluted		**$**	**(0.01)**	$	(0.03)
Weighted average number of shares outstanding - basic and diluted			**26,511,849**		19,066,853

See accompanying notes to the unaudited condensed interim consolidated financial statements

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

	# of Common Shares	Share Capital	Warrant Reserve	Stock Option Reserve	Equity Component of Convertible Debentures	Deficit	Total
Balance, February 28, 2019	**19,572,824**	**$ 6,001,685**	**$ 83,944**	**$ 2,473,983**	**$ 31,624**	**$ (9,248,236)**	**$ (657,000)**
Share-based compensation (notes 12, 14)	-	-	-	153,789	-	-	153,789
Broker warrants expired (note 11)	-	-	(83,944)	-	-	83,944	-
Share-based compensation forfeited (note 12)	-	-	-	(1,544)	-	1,544	-
Net loss for the three month period ended May 31, 2019	-	-	-	-	-	(599,610)	(599,610)
Balance, May 31, 2019	**19,572,824**	**$ 6,001,685**	**$ -**	**$ 2,626,228**	**$ 31,624**	**$ (9,762,358)**	**$(1,102,821)**
Share-based compensation (notes 12, 14)	-	-	-	443,883	-	-	443,883
Issuance of common shares in private placement (note 10)	5,223,470	1,791,370	1,194,910	-	-	-	2,986,280
Issuance of common shares in lieu of debt (note 10)	1,715,555	467,831	304,169	-	-	-	772,000
Re-issuance of convertible debentures (note 9)	-	-	-	-	2,974	7,410	10,384
Prepayment of convertible debentures (note 9)	-	-	-	-	(34,598)	-	(34,598)
Share-based compensation forfeited (notes 12, 14)	-	-	-	(1,000,491)	-	1,000,491	-
Net loss for the nine month period ended February 29, 2020	-	-	-	-	-	(1,404,576)	(1,404,576)
Balance, February 29, 2020	**26,511,849**	**$ 8,260,886**	**$1,499,079**	**$ 2,069,620**	**$ -**	**$ (10,159,033)**	**$ 1,670,552**
Share-based compensation (notes 12, 14)	-	-	-	39,351	-	-	39,351
Net loss for the three month period ended May 31, 2020	-	-	-	-	-	(329,178)	(329,178)
Balance, May 31, 2020	**26,511,849**	**$ 8,260,886**	**$1,499,079**	**$ 2,108,971**	**$ -**	**$ (10,488,211)**	**$ 1,380,725**

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, 2020	Three Months Ended May 31, 2019
Cash flows (used in) provided by operating activities			
Net loss for the period		**$ (329,178)**	$ (599,610)
Adjustments for:			
Amortization	6, 7	**34,475**	39,982
Accretion expense	9	**6,265**	30,487
Share-based compensation	12	**39,351**	153,789
Allowance for doubtful accounts	5	**-**	255
Net change in working capital:			
Restricted short-term investment		**(126)**	-
Trade and other receivables		**72,579**	(55,042)
Prepaid expenses and deposits		**10,845**	23,136
Trade and other payables		**(82,557)**	98,339
Cash flows used in operating activities		**(248,315)**	(308,664)
Cash flows used in investing activities			
Purchase of equipment	6	**(19,953)**	(8,907)
Purchase of intangible assets	7	**(5,125)**	(6,875)
Cash flows used in investing activities		**(25,078)**	(15,782)
Cash flows provided by (used in) financing activities			
Proceeds from issuance of note payable	9(b)	**-**	300,000
Repayment of advances payable and borrowings	9(a)	**(240,699)**	(13,373)
Cash flows provided by financing activities		**(240,699)**	286,627
Change in cash during the period		**514,123)**	(37,819)
Cash, beginning of period		**2,038,493**	50,639
Effect of translation of foreign currency		**(6,265)**	(256)
Cash, end of period		**$ 1,518,105**	$ 12,564

See accompanying notes to the unaudited condensed interim consolidated financial statements

1. Nature of operations and going concern

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

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

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

Going Concern

These condensed interim consolidated financial statements have been prepared with the assumption that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. As at May 31, 2020, the Company had a working capital surplus of $1,252,494 (February 29, 2020 – $1,545,969), had not yet achieved profitable operations, had used cash in operating activities of $248,315 for the three month period ended May 31, 2020 (May 31, 2019 - $308,664), had a deficit of $10,488,211 as at May 31, 2020 (February 29, 2020 - $10,159,033) and had shareholders' equity of $1,380,725 (February 29, 2020 – $1,670,552). These conditions reflect material uncertainties which cast significant doubt about the Company's ability to continue as a going concern. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. While the Company has been successful in raising the necessary funding to continue operations in the past, there is no assurance that it will be able to do so in the future. These condensed interim consolidated financial statements do not include the adjustments that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

2. Basis of preparation

(a) Statement of compliance

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

The condensed interim consolidated financial statements of the Company for the three month period ended May 31, 2020 were approved and authorized for issue by the Board of Directors on June 25, 2020.

2. Basis of preparation (continued)

(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 condensed interim consolidated financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

3. Financial risk management

(a) Fair values

The carrying amounts of trade and other receivables, cash, restricted short-term investment, trade and other receivables and payables and loans and borrowings 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)

3. Financial risk management (continued)

	Three Months Ended May 31, 2020	Three Months Ended May 31, 2019
Revenue from one customer	**$ 206,153**	$ 124,646
% of total revenue	**66%**	58%

	As at May 31, 2020	As at February 29, 2020
Account receivable from one customer	**$ 64,710**	$ 51,699
% of total accounts receivable	**71%**	32%

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

	May 31, 2020	February 29, 2020
Cash	**$ 1,518,105**	$ 2,038,493
Restricted short-term investment	**25,504**	25,378
Trade and other receivables	**141,122**	213,701
	$ 1,684,731	$ 2,277,572

(ii) Liquidity risk

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

The following are the contractual maturities of financial liabilities:

As at May 31, 2020	**1 Year or Less**	**Greater than 1 year**	**Total**
Trade and other payables	$ 425,126	$ -	$ 425,126
Loans and borrowings	53,491	-	53,491
	$ 478,617	$ -	$ 478,617

As at February 29, 2020	**1 Year or Less**	**Greater than 1 year**	**Total**
Trade and other payables	$ 507,683	$ -	$ 507,683
Loans and borrowings	282,952	13,373	296,325
	$ 790,635	$ 13,373	$ 804,008

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

3. Financial risk management (continued)

(iii) Market risk

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

Revenue by geographic region for the three month periods ended May 31, 2020 and 2019 is as follows:

	Three Months Ended May 31, 2020	Three Months Ended May 31, 2019
Canada	**$ 285,908**	$ 141,969
USA	**27,725**	73,010
	$ 313,633	$ 214,979

(iv) Currency risk

Since the Company has a bank account denominated in US dollars, it is exposed to foreign currency risk due to fluctuations in the exchange rate. The Company purchases goods and services and generates revenues in Canadian dollars and US dollars. Since the Company reports its results in Canadian dollars, the functional currency of the Company, it is exposed to changes in the value of the US dollar relative to that of the Canadian dollar. As at May 31, 2020 and February 29, 2020, the Company and its subsidiaries had cash, trade and other receivables and trade and other payables denominated in US dollars as follows:

As at May 31, 2020	**USD**	**CAD Equivalent**
Cash	$ 56,717	$ 78,196
Trade and other receivables	24,647	33,980
Trade and other payables	(55,424)	(76,413)
	$ 25,940	**$ 35,763**

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

(v) Interest rate risk

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

3. Financial risk management (continued)

(vi) Capital risk management

The Company reviews and manages its capital position from time to time to maintain a balance between its liability and equity levels. The Company uses the capital contributed by investors to finance its working capital requirements. The Board of Directors does not establish quantitative return on capital criteria for management but rather relies on the expertise of the Company's management to sustain future developments of the business. The Company defines capital as shareholders' equity and loans and borrowings. As at May 31, 2020, the Company had a shareholders' equity of $1,380,725 (February 29, 2020 – $1,670,552) and loans and borrowings of $49,387 (February 29, 2020 - $290,086).

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

(vii) Sensitivity analysis

Based on management's knowledge and experience in the financial markets, the Company believes the following movements are reasonably possible over the year. Sensitivity to a plus or minus 1% change in the US–Canadian dollar foreign exchange rate, based on the current US dollar denominated balances as at May 31, 2020, would affect the net loss by approximately plus or minus $1,000 during a year.

4. Critical accounting estimates and judgments

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

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

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

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

(Expressed in Canadian Dollars)

4. Critical accounting estimates and judgments (continued)

period in which such determination is made.

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

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

5. Trade and other receivables

		As at May 31, 2020		As at February 29, 2020
Trade receivables	**$**	**90,651**	$	179,603
HST receivable		**15,524**		9,361
Other receivables		**34,947**		24,737
	$	**141,122**	$	213,701

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

6. Equipment

Scanners and Tablets		Cost		Accumulated Amortization		Net Book Value
Balance at February 28, 2019	$	221,870	$	174,431	$	47,439
Additions / amortization		40,029		34,526		5,503
Balance at February 29, 2020	$	261,899	$	208,957	$	52,942
Additions / amortization		19,953		12,102		7,851
Balance at May 31, 2020	**$**	**281,852**	**$**	**221,059**	**$**	**60,793**

7. Intangible Assets

Computer Software		Cost		Accumulated Amortization		Net Book Value
Balance at February 28, 2019	$	676,923	$	505,603	$	171,320
Additions / amortization		32,475		119,109		(86,634)
Balance at February 29, 2020	$	709,398	$	624,712	$	84,686
Additions / amortization		5,125		22,373		(17,248)
Balance at May 31, 2020	**$**	**714,523**	**$**	**647,085**	**$**	**67,438**

(Expressed in Canadian Dollars)

8. Trade and other payables

	As at May 31, 2020	As at February 29, 2020
Trade payables	**$ 261,434**	$ 311,246
QST payables	**7,912**	6,610
Other payables	**89,466**	93,738
Accrued liabilities	**66,314**	96,089
	$ 425,126	$ 507,683

9. Loans and borrowings

(a) Loans

On March 3, 2016, the Company assumed borrowings from 640624 N.B. Ltd. (o/a Kinek) payable to Atlantic Canada Opportunities Agency. The loan is unsecured and non-interest bearing. Interest equal to 3% higher than the average Bank of Canada discount rate for the previous month is charged on any overdue balances. The present value of non-current borrowings was estimated using the effective interest rate method by discounting the future contractual cash flows at the estimated current market estimated interest rates for an equivalent instrument. The discount rate applied was 15%. The Company recorded accretion expense of $2,134 (May 31, 2019 - $3,691) for the three month period ended May 31, 2020. The rate used in determining the appropriate present value of the borrowings was subject to management estimation.

	May 31, 2020	February 29, 2020
Loan payable (Atlantic Canada Opportunities Agency)		
12 instalments repayable at $4,458 per month	**$ 53,496**	$ 66,870
Less: Discount future contractual cash flows	**4,109**	6,244
	49,387	60,626
Less: Current portion	**49,387**	47,581
	$ -	$ 13,045

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

June 1, 2020 to February 28, 2021	$ 40,122
March 1, 2021 to June 22, 2021	13,374
	$ 53,496

(b) Promissory Note

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

(Expressed in Canadian Dollars)

9. Loans and borrowings (continued)

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

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

10. Share capital

(a) Authorized

Unlimited number of common shares with no par value.

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

(b) Issued

Common Shares	**Number**		**Amount**
Balance, February 28, 2019	**19,572,824**	**$**	**6,001,685**
Common shares issued (i) (ii) (iii) (iv)	6,939,025		2,259,201
Balance, February 29, 2020	**26,511,849**	**$**	**8,260,886**
Common share activity during period	-		-
Balance, May 31, 2020	**26,511,849**	**$**	**8,260,886**

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

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

(iii) In December 2019, the Company closed two non-brokered private placements where 180,957 units were issued for total proceeds of $104,955. Each unit issued consisted of one common share and one warrant of the Company.

10. Share capital (continued)

(Expressed in Canadian Dollars)

10. Share capital (continued)

Based on the Black Scholes valuation model, the Company valued the common shares at $69,433 and valued the warrants at $35,522.

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

11. Warrant reserve

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

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

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

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

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

(Expressed in Canadian Dollars)

12. Stock option reserve

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

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

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

	Number of stock options	Exercise Price
Balance, February 28, 2019	**3,110,000**	**$ 1.33**
Options expired (i)	(102,000)	1.20
Options forfeited (ii)	(10,000)	1.20
Options forfeited (ii)	(25,000)	1.20
Options forfeited (iii)	(862,500)	1.30
Balance, February 29, 2020	**2,110,500**	**$ 1.35**
Options activity during period	-	-
Balance, May 31, 2020	**2,110,500**	**$ 1.35**

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

	Exercise Price ($)	Remaining contractual life (years)	Weighted average number of options outstanding	Options vested (exercisable)	Estimated grant date fair value ($)
August 31, 2020 (ii)	1.20	0.25	165,000	165,000	50,931
November 30, 2020 (iv)	1.20	0.25	10,000	10,000	10,000
October 26, 2022 (iii)	1.30	2.42	1,827,500	1,351,875	2,041,866
January 28, 2021 (v)	2.47	0.67	108,000	108,000	192,342
	1.35	0.90	2,110,500	1,634,875	2,295,139

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

12. Stock option reserve (continued)

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

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

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

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

For the year ended February 29, 2020, $562,700 was recorded as share-based compensation in the consolidated statement of loss.

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

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

(Expressed in Canadian Dollars)

13. Expenses categorized by nature

Cost of sales	Three Months Ended May 31, 2020	Three Months Ended May 31, 2019
External processing charges	**$ 205,766**	$ 67,197
Computer and web access charges	**3,391**	3,180
	$ 209,157	$ 70,377

Administrative expenses	Three Months Ended May 31, 2020	Three Months Ended May 31, 2019
Salaries and benefits	**$ 160,731**	$ 303,329
General and administrative expenses	**55,025**	45,202
Accounting and office	**41,399**	41,850
Amortization (note 6 and 7)	**34,475**	39,982
Consulting fees	**34,166**	42,428
Travel, promotion and business development	**28,156**	34,821
Professional fees	**24,870**	28,525
Agent and filing fees	**12,210**	10,312
Investor relations	**12,061**	12,128
Foreign exchange (gain) loss	**(15,055)**	1,358
	$ 388,038	$ 559,935

14. Related party balances and transactions

During the three month period ended May 31, 2020, the Company incurred accounting fees and office rental, which is included in accounting and office expense, of $29,850 (May 31, 2019 - $41,850), to a company with a common officer and director.

(Expressed in Canadian Dollars)

14. Related party balances and transactions (continued)

During the three month period ended May 31, 2020, the Company had the following transactions with shareholders, management and directors:

	Three Months Ended May 31, 2020	Three Months Ended May 31, 2019
Share-based compensation	$ 39,351	$ 153,789
Salaries and benefits	38,952	173,786
Consulting fees	10,566	10,028
	$ 88,869	$ 337,603

As at May 31, 2020, balances payable to the related parties noted above amounted to $142,566 (February 29, 2020 - $315,099) and are included in trade and other payables. These balances are unsecured, non-interest bearing and are due on demand.

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

See also note 8, 9 and 12.

15. Commitments and contingencies

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

16. Subsequent events

The Company evaluated subsequent events through June 25, 2020, the date these condensed interim consolidated financial statements were approved and authorized for issue. There were no material subsequent events that required recognition or additional disclosure in the condensed interim consolidated financial statements.