
PUDO INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE THREE AND SIX MONTH PERIODS ENDED AUGUST 31,
2021**

(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	August 31, 2021	February 28, 2021
Assets			
Current assets			
Cash		\$ 405,454	\$ 749,708
Restricted short-term investment		25,632	25,504
Trade and other receivables	3, 5	221,346	377,962
Prepaid expenses and deposits		61,292	74,390
Total current assets		713,724	1,227,564
Non-current assets			
Equipment	6	39,538	60,340
Intangible assets	7	84,316	105,544
Total assets		\$ 837,578	\$ 1,393,448
Liabilities			
Current liabilities			
Trade and other payables	8, 14	\$ 502,070	\$ 464,652
Loans and borrowings	9	-	13,045
Total current liabilities		502,070	477,697
Total liabilities		502,070	477,697
Shareholders' equity			
Share capital	10	8,972,581	9,060,580
Stock option reserve	12	2,345,349	2,204,607
Deficit		(10,982,422)	(10,349,436)
Shareholders' equity		335,508	915,751
Total liabilities and shareholders' equity		\$ 837,578	\$ 1,393,448

Nature of operations and going concern (note 1)

Commitments and contingencies (note 15)

Approved by the Board of Directors:

"Thomas Bijou"

Director

"Richard Cooper"

Director

See accompanying notes to the unaudited condensed interim consolidated financial statements

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

		Three Months Ended August 31,		Six Months Ended August 31,	
	Notes	2021	2020	2021	2020
Revenue	3	\$ 447,034	\$ 269,685	\$ 963,281	\$ 583,318
Cost of sales	13	(306,452)	(169,796)	(666,341)	(378,953)
Gross profit		140,582	99,889	296,940	204,365
Administrative expenses	13	(408,734)	(355,214)	(876,850)	(743,253)
Share-based compensation	12	(63,334)	(78,223)	(140,742)	(117,574)
Operating loss		(331,486)	(333,548)	(720,652)	(656,462)
Finance costs	9	-	(2,720)	(333)	(8,985)
Net loss and comprehensive loss for the period		\$ (331,486)	\$ (336,268)	\$ (720,985)	\$(665,447)
Loss per share - basic and diluted		\$ (0.01)	\$ (0.01)	\$ (0.03)	\$ (0.02)
Weighted average number of shares outstanding - basic and diluted		27,117,584	26,646,931	27,117,584	26,646,931

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 29, 2020	26,511,848	\$ 8,260,886	\$1,499,079	\$ 2,069,620	\$ (10,159,033)	\$ 1,670,552
Share-based compensation (note 12, 14)	-	-	-	117,574	-	117,574
Stock options exercised (note 12)	135,083	270,325	-	(118,938)	-	151,387
Options forfeited (note 12)	-	-	-	(44,384)	44,384	-
Net loss for the six month period ended August 31, 2020	-	-	-	-	(665,447)	(665,447)
Balance, August 31, 2020	26,646,931	8,531,211	1,499,079	2,023,872	(10,780,096)	1,274,066
Share-based compensation (note 12)	-	-	-	389,339	-	389,339
Stock options exercised (note 12)	-	-	-	-	-	-
Warrants exercised	470,653	441,371	(102,075)	(16,261)	-	323,035
Broker warrants expired (note 10)	-	-	(1,397,004)	-	1,397,004	-
Options forfeited (note 12)	-	-	-	(192,343)	192,344	1
Issuance of common shares to settle payable to vendor (note 10)	44,444	87,998	-	-	-	87,998
Net loss for the six month period ended February 28, 2021	-	-	-	-	(1,158,688)	(1,158,688)
Balance, February 28, 2021	27,162,028	9,060,580	-	2,204,607	(10,349,436)	915,751
Share-based compensation (note 12)	-	-	-	140,742	-	140,742
Cancellation of issuance of common shares to settle payable to vendor (note 10)	(44,444)	(87,999)	-	-	87,999	-
Net loss for the six month period ended August 31, 2021	-	-	-	-	(720,985)	(720,985)
Balance, August 31, 2021	27,117,584	\$ 8,972,581	\$ -	\$ 2,345,349	\$ (10,982,422)	\$ 335,508

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	Six Months Ended August 31, 2021	Six Months Ended August 31, 2020
Cash flows used in operating activities			
Net loss for the period		\$ (720,985)	\$ (665,447)
Adjustments for:			
Amortization	6, 7	45,363	54,347
Accretion expense	9	329	7,237
Share-based compensation	12	140,742	117,574
Allowance for doubtful accounts	5	2,337	199
Net change in working capital:			
Restricted short-term investment		(128)	(126)
Trade and other receivables		156,616	4,440
Prepaid expenses and deposits		13,098	(24,211)
Trade and other payables		37,418	(80,255)
Cash flows used in operating activities		(325,210)	(586,242)
Cash flows used in investing activities			
Purchase of equipment	6	(3,333)	(43,778)
Purchase of intangible assets	7	-	(34,625)
Cash flows used in investing activities		(3,333)	(78,403)
Cash flows provided by (used in) financing activities			
Proceeds from exercise of warrants and options	11,12	-	71,133
Repayment of advances payable and borrowings	9	(13,045)	(252,364)
Cash flows used in financing activities		(13,045)	(181,231)
Change in cash during the period		(341,588)	(845,876)
Cash, beginning of period		749,708	2,038,493
Effect of translation of foreign currency		(2,666)	(8,744)
Cash, end of period		\$ 405,454	\$ 1,183,873
Supplemental information:			
Exercised option payment settled against accounts payable		\$ -	\$ 81,563

See accompanying notes to the unaudited condensed interim consolidated financial statements

PUDO Inc.

Notes to Condensed Interim Consolidated Financial Statements

Six Months Ended August 31, 2021 and 2020

(Expressed in Canadian Dollars)

(Unaudited)

1. Nature of operations and going concern

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

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

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

Going Concern

These condensed interim consolidated financial statements have been prepared with the assumption that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. As at August 31, 2021, the Company had a working capital surplus of \$211,654 (February 28, 2021 – \$749,867), had not yet achieved profitable operations, had used cash in operating activities of \$325,210 for the six-month period ended August 31, 2021 (August 31, 2020 - \$586,242), had a deficit of \$10,982,422 as at August 31, 2021 (February 28, 2021 - \$10,349,436) and had shareholders’ equity of \$335,508 (February 28, 2021 – \$915,751). 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 28, 2021.

The condensed interim consolidated financial statements of the Company for the three and six month periods ended August 31, 2021 were approved and authorized for issue by the Board of Directors on September 28, 2021.

(b) Basis of presentation

The condensed interim consolidated financial statements have been prepared on a historical cost basis. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

PUDO Inc.

Notes to Condensed Interim Consolidated Financial Statements

Six Months Ended August 31, 2021 and 2020

(Expressed in Canadian Dollars)

(Unaudited)

2. Basis of preparation (continued)

(c) Basis of consolidation

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

Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are de-consolidated from the date control ceases. The financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

3. Financial risk management

(a) Fair values

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

(b) Financial risk factors

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

PUDO Inc.

Notes to Condensed Interim Consolidated Financial Statements Six Months Ended August 31, 2021 and 2020 (Expressed in Canadian Dollars) (Unaudited)

3. Financial risk management (continued)

	Three Months Ended August 31,		Six Months Ended August 31,	
	2021	2020	2021	2020
Revenue from one customer	\$ 215,336	\$ 155,584	\$ 521,769	\$ 362,180
% of total revenue	48%	58%	54%	62%

	August 31, 2021	February 28, 2021
Accounts Receivable from one Customer	64,175	94,848
% of total accounts receivable	34%	30%

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

	August 31, 2021	February 28, 2021
Cash	\$ 405,454	\$ 749,708
Restricted short-term investment	25,632	25,504
Trade and other receivables	221,346	377,962
	\$ 652,432	\$ 1,153,174

(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:

August 31, 2021	1 Year or Less	Greater than 1 year	Total
Trade and other payables	\$ 502,070	\$ -	\$ 502,070
Loans and borrowings	-	-	-
	\$ 502,070	\$ -	\$ 502,070

February 28, 2021	1 Year or Less	Greater than 1 year	Total
Trade and other payables	\$ 464,652	\$ -	\$ 464,652
Loans and borrowings	13,373	-	13,373
	\$ 478,025	\$ -	\$ 478,025

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

PUDO Inc.

Notes to Condensed Interim Consolidated Financial Statements Six Months Ended August 31, 2021 and 2020 (Expressed in Canadian Dollars) (Unaudited)

3. Financial risk management (continued)

(iii) Market risk

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

Revenue by geographic region for the three and six month periods is as follows:

	Three Months Ended August 31,		Six Months Ended August 31,	
	2021	2020	2021	2020
Canada	\$ 425,072	\$ 248,860	\$ 917,758	\$ 534,769
United States of America	21,962	20,825	45,523	48,549
	\$ 447,034	\$ 269,685	\$ 963,281	\$ 583,318

(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 August 31, 2021 and February 28, 2021, the Company and its subsidiaries had cash, trade and other receivables and trade and other payables denominated in US dollars as follows:

As at August 31, 2021	USD	CAD Equivalent
Cash	\$ 58,574	\$ 73,903
Trade and other receivables	52,622	66,393
Trade and other payables	(28,902)	(36,466)
	\$ 82,294	\$ 103,830

As at February 28, 2021	USD	CAD Equivalent
Cash	\$ 35,524	\$ 45,062
Trade and other receivables	120,257	152,546
Trade and other payables	(66,522)	(84,383)
	\$ 89,259	\$ 113,225

(v) Interest rate risk

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

PUDO Inc.

Notes to Condensed Interim Consolidated Financial Statements Six Months Ended August 31, 2021 and 2020 (Expressed in Canadian Dollars) (Unaudited)

3. Financial risk management (continued)

(vi) Capital risk management

The Company reviews and manages its capital position from time to time to maintain a balance between its liability and equity levels. The Company uses the capital contributed by investors to finance its working capital requirements. The Board of Directors does not establish quantitative return on capital criteria for management but rather relies on the expertise of the Company's management to sustain future developments of the business. The Company defines capital as shareholder's equity, loans and borrowings. As at August 31, 2021, the Company had shareholders' equity of \$335,508 (February 28, 2021 – \$915,751) and loans and borrowings of \$ nil (February 28, 2021 - \$13,045).

The Company's capital management objectives, policies and processes have remained materially unchanged during the six-month period ended August 31, 2021 and the year ended February 28, 2021.

(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 August 31, 2021, 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 August 31, 2021 and with particular respect to the analysis of potential impairment of the Company's assets and its ability to continue as a going concern.

Intangible assets and equipment

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

Income, value added, withholding and other taxes

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

PUDO Inc.

Notes to Condensed Interim Consolidated Financial Statements Six Months Ended August 31, 2021 and 2020 (Expressed in Canadian Dollars) (Unaudited)

4. Critical accounting estimates and judgments (continued)

Share-based compensation

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

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

5. Trade and other receivables

	August 31, 2021	February 28, 2021
Trade receivables	\$ 190,320	\$ 316,655
HST receivable	2,188	13,795
Other receivables	28,838	47,512
	\$ 221,346	\$ 377,962

Allowance for doubtful accounts as at August 31, 2021 was \$ 2,337 (February 28, 2021 – \$ 199).

6. Equipment

Scanners and Tablets	Cost	Accumulated Amortization	Net Book Value
Balance at February 29, 2020	\$ 261,892	\$ 208,950	\$ 52,942
Additions / amortization	54,965	47,567	7,398
Balance at February 28, 2021	\$ 316,857	\$ 256,517	\$ 60,340
Additions / amortization	3,333	24,135	(20,802)
Balance at August 31, 2021	\$ 320,190	\$ 280,652	\$ 39,538

7. Intangible assets

Computer Software	Cost	Accumulated Amortization	Net Book Value
Balance at February 29, 2020	\$ 709,398	\$ 624,712	\$ 84,686
Additions / amortization	64,994	44,136	20,858
Balance at February 28, 2021	\$ 774,392	\$ 668,848	\$ 105,544
Additions / amortization	-	21,228	(21,228)
Balance at August 31, 2021	\$ 774,392	\$ 690,076	\$ 84,316

PUDO Inc.

Notes to Condensed Interim Consolidated Financial Statements Six Months Ended August 31, 2021 and 2020 (Expressed in Canadian Dollars) (Unaudited)

8. Trade and other payables

	As at August 31, 2021	As at February 28, 2021
Trade payables	\$ 265,064	\$ 133,995
QST payable	2,842	6,796
Other payables	168,547	146,399
Accrued liabilities	65,617	177,462
	\$ 502,070	\$ 464,652

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 \$329 (August 31, 2020 - \$3,842) for the six-month period ended August 31, 2021. The rate used in determining the appropriate present value of the borrowings was subject to management estimation. On May 31, 2021, the Company made its final payment on this loan.

	August 31, 2021	February 28, 2021
Loan payable (Atlantic Canada Opportunities Agency) nil instalments repayable at \$4,458 per month	\$ -	\$ 13,374
Less: Discount future contractual cash flows	-	329
	-	13,045
Less: Current portion	-	13,045
	\$ -	\$ -

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).

PUDO Inc.

Notes to Condensed Interim Consolidated Financial Statements

Six Months Ended August 31, 2021 and 2020

(Expressed in Canadian Dollars)

(Unaudited)

10. Share capital (continued)

(b) Issued

Common Shares	Number	Amount
Balance, February 29, 2020	26,511,848	\$ 8,260,886
Common share activity (i) (ii) (iii) (iv) (v) (vi) (vii) (viii) and (ix)	650,180	\$ 799,694
Balance, February 28, 2021	27,162,028	\$ 9,060,580
Common share activity (vi)	(44,444)	(87,999)
Balance, August 31, 2021	27,117,584	\$ 8,972,581

- (i) In August 2020, a number of the Company's employees and consultants exercised their stock options. As a result, 120,529 shares at the exercise value of \$151,388 were issued. The common shares were valued at \$270,325.
- (ii) In September 2020, a warrant holder exercised 8,620 warrants. As a result, 8,620 shares at the exercise value of \$5,948 were issued. The common shares and warrants were valued at \$7,930 and \$1,983, respectively.
- (iii) In October 2020, a warrant holder exercised 23,000 warrants. As a result, 23,000 shares at the exercise value of \$15,870 were issued. The common shares and warrants were valued at \$21,160 and \$5,289, respectively.
- (iv) In November 2020, a warrant holder exercised 48,685 warrants while allowing 84,648 remaining warrants to expire. As a result, 48,685 shares at the exercise value of \$26,290 were issued. The common shares were valued at \$35,053. The warrants that expired had a fair market value of \$14,991.
- (v) In November 2020, a number of companies with a common director or officer exercised 88,889 warrants while allowing 1,826,666 remaining warrants to expire. As a result, 88,889 shares at the exercise value of \$48,000 were issued. The common shares were valued at \$64,000. The warrants that expired had a fair market value of \$338,506.
- (vi) In November 2020, the Company issued 44,444 common shares to pay for an \$87,998 liability owing to a vendor. This payment arrangement was part of the agreement between the Company and the vendor, signed prior to engaging the vendor. In April 2021, it was mutually agreed between the Company and the vendor to cancel the 44,444 common shares due to vendor not meeting the agreed upon deliverables.
- (vii) In December 2020, warrant holders exercised 229,233 warrants while allowing 124,138 remaining warrants to expire. As a result, 229,233 shares at the exercise value of \$158,171 were issued. The common shares and warrants were valued at \$210,824 and \$52,624, respectively. The warrants that expired had a fair market value of \$24,368.
- (viii) In January 2021, warrant holders exercised 72,226 warrants while allowing 4,432,920 remaining warrants to expire. As a result, 72,226 shares at the exercise value of \$49,836 were issued. The common shares and warrants were valued at \$67,221 and \$17,385, respectively. The warrants that expired had a fair market value of \$1,034,130.
- (ix) In February 2021, the Company's consultants exercised 14,554 stock options. As a result, 14,554 common shares at an exercise price of \$18,920 were issued. The exercise value was settled against the amount payable owing to a consultant. The common shares were valued at \$35,181.

PUDO Inc.

Notes to Condensed Interim Consolidated Financial Statements

Six Months Ended August 31, 2021 and 2020

(Expressed in Canadian Dollars)

(Unaudited)

11. Warrant reserve

In April 2021, the Company agreed to issue 40,000 warrants to a vendor. 10,000 warrants are to be vested once the vendor issues a press release announcing the engagement. The remaining 30,000 will vest once the vendor meets predetermined milestones. The vendor will assist the Company in expanding their PUDOpoint network. For every 250 PUDOpoints that the vendor brings on board, 1,250 warrants will vest. The warrants carry an exercise price of USD \$1.20 and will expire on April 2024. As of August 31, 2021, nil warrants had vested.

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 six-month period ended August 31, 2021 and the year ended February 28, 2021:

	Number of stock options	Exercise Price
Balance, February 29, 2020	2,110,500	\$ 1.35
Options issued (i)	225,000	1.14
Options issued (ii)	135,000	1.75
Options issued (iii)	325,000	1.2
Options exercised (iv)	(35,000)	1.2
Options exercised (v)	(74,279)	1.3
Options exercised (i)	(11,250)	1.14
Options expired (iv)	(140,000)	1.3
Options expired (vi)	(108,000)	2.47
Options exercised (note 10 (ix))	(14,554)	1.3
Balance, February 28, 2021	2,412,417	\$ 1.35
Options activity	-	-
Balance, August 31, 2021	2,412,417	\$ 1.35

PUDO Inc.

Notes to Condensed Interim Consolidated Financial Statements

Six Months Ended August 31, 2021 and 2020

(Expressed in Canadian Dollars)

(Unaudited)

12. Stock option reserve (continued)

The following table reflects the actual stock options issued and outstanding as at August 31, 2021:

	Exercise Price (\$)	Remaining contractual life (years)	Weighted average number of options outstanding	Options vested (exercisable)	Estimated grant date fair value (\$)
October 26, 2022	1.30	1.17	1,738,667	1,738,667	-
July 17, 2025	1.14	3.92	213,750	64,688	223,792
July 17, 2025	1.75	3.92	135,000	33,750	129,739
July 17, 2025	1.20	3.92	325,000	81,250	322,030
	1.35	3.23	2,412,417	1,918,355	675,561

- (i) In July 2020, the Company granted 225,000 stock options to directors of the Company. The options were exercisable at a price of \$1.14 per common share and will expire on July 17, 2025. The options vest in 25% increments yearly with the first 25% having vested on July 17, 2020. The grant date fair value of the stock options was estimated to be \$ 223,792 using the Black-Scholes valuation model with the following weighted average assumptions: expected dividend yield of 0%, expected volatility of 152%, risk-free interest rate of 0.18%, and expected life of 4 years. In August 2020, 11,250 of these options were exercised.
- (ii) In July 2020, the Company granted 135,000 stock options to employees and consultants of the Company. The options were exercisable at a price of \$1.75 per common share and will expire on July 17, 2025. The options vest in 25% increments yearly with the first 25% having vested on July 17, 2020. The grant date fair value of the stock options was estimated to be \$129,739 using the Black-Scholes valuation model with the following weighted average assumptions: expected dividend yield of 0%, expected volatility of 152%, risk-free interest rate of 0.18%, and expected life of 4 years.
- (iii) In July 2020, the Company granted 325,000 stock options to a consultant of the Company. The options were exercisable at a price of \$1.20 per common share and will expire on July 17, 2025. The options vest in 25% increments yearly with the first 25% having vested on July 17, 2020. The grant date fair value of the stock options was estimated to be \$322,030 using the Black-Scholes valuation model with the following weighted average assumptions: expected dividend yield of 0%, expected volatility of 152%, risk-free interest rate of 0.18%, and expected life of 4 years.
- (iv) On August 27, 2020, 35,000 options granted to employees and consultants were exercised at the exercise price of \$1.20. The option exercise payment for 20,000 options, was settled against accounts payable that was owed to an option holder. The cash value of accounts payable settled was \$24,000. For the remaining 15,000 options, the exercise payment was received in cash. In the same period, 140,000 of the options granted to employees, directors and consultants expired.

PUDO Inc.

Notes to Condensed Interim Consolidated Financial Statements

Six Months Ended August 31, 2021 and 2020

(Expressed in Canadian Dollars)

(Unaudited)

12. Stock option reserve (continued)

- (v) On August 27, 2020, 74,279 options granted to directors and consultants were exercised at the exercise price of \$1.30. The option exercise payment for 44,279 options, was settled against accounts payable that was owed to an option holder. The cash value of accounts payable settled was \$57,563. For the remaining 30,450 options, the exercise payment was received in cash.
- (vi) 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 expired on January 28, 2021 and \$192,343 was classified to the deficit for the year ended February 28, 2021.

13. Expenses categorized by nature

Cost of sales	Three Months Ended August 31,		Six Months Ended August 31,	
	2021	2020	2021	2020
External processing charges	\$ 304,142	\$ 167,486	\$ 666,971	\$ 373,252
Computer and web access charges	2,310	2,310	(630)	5,701
	\$ 306,452	\$ 169,796	\$ 666,341	\$ 378,953

Administrative expenses	Three Months Ended August 31,		Six Months Ended August 31,	
	2021	2020	2021	2020
Salaries and Benefits	\$ 245,789	\$ 127,530	\$ 489,831	\$ 288,261
General and administrative expenses	72,697	51,789	158,700	106,814
Travel and business development	8,239	26,929	11,990	55,085
Consulting Fees	12,675	29,676	24,246	63,842
Professional fees	18,261	21,095	50,565	45,965
Investor relations	18,934	23,743	37,711	35,804
Accounting and office	15,690	37,319	28,289	78,718
Agent and filing fees	16,771	15,389	28,483	27,600
Foreign exchange loss (gain)	(23,107)	1,871	1,672	(13,672)
Amortization (notes 6 and 7)	22,785	19,873	45,363	54,347
	\$ 408,734	\$ 355,214	\$ 876,850	\$ 743,253

14. Related party balances and transactions

During the three and six month periods ended August 31, 2021 and 2020, the Company incurred accounting fees and office rental, which is included in accounting and office expense, of \$10,350 and \$20,700 (August 31, 2020 - \$29,850 and 59,700), respectively to a company with a common officer and director.

PUDO Inc.

Notes to Condensed Interim Consolidated Financial Statements Six Months Ended August 31, 2021 and 2020 (Expressed in Canadian Dollars) (Unaudited)

14. Related party balances and transactions (continued)

During the three and six month periods ended August 31, 2021 and 2020, the Company had the following transactions with shareholders, management and directors:

	Three Months Ended		Six Months Ended	
	August 31,		August 31,	
	2021	2020	2021	2020
Share Based Compensation	\$ 63,334	\$ 78,223	\$ 140,742	\$ 117,574
Salaries and benefits	47,693	49,806	95,425	83,484
Consulting fees	9,675	11,676	19,746	23,842
	\$ 120,702	\$ 139,705	\$ 255,913	\$ 224,900

As at August 31, 2021, balances payable to the related parties noted above amounted to \$35,054 (February 28, 2021 - \$32,644) 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 August 31, 2021.