
PUDO INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE THREE AND NINE MONTH PERIODS ENDED
NOVEMBER 30, 2022**

(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	November 30, 2022	February 28, 2022
Assets			
Current assets			
Cash		\$ 265,181	\$ 134,750
Restricted short-term investment		25,632	25,632
Trade and other receivables	3, 5	390,937	325,312
Prepaid expenses and deposits		66,741	85,252
Total current assets		748,491	570,946
Non-current assets			
Equipment	6	4,486	23,449
Intangible assets	7	41,829	67,319
Total assets		\$ 794,806	\$ 661,714
Liabilities			
Current liabilities			
Trade and other payables	8, 12	\$ 777,324	\$ 713,521
Total liabilities		777,324	713,521
Shareholders' equity			
Share capital	9	9,094,720	9,043,688
Stock option reserve	10	478,773	2,115,613
Deficit		(9,556,011)	(11,211,108)
Shareholders' equity (deficit)		17,482	(51,807)
Total liabilities and shareholders' equity		\$ 794,806	\$ 661,714

Nature of operations and going concern (note 1)

Commitments and contingencies (note 13)

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 November 30,		Nine Months Ended November 30,	
	Notes	2022	2021	2022	2021
Revenue	3	\$ 1,023,889	\$ 549,063	\$ 2,917,976	\$ 1,512,344
Cost of sales	11	(619,122)	(392,353)	(1,783,961)	(1,058,694)
Gross profit		404,767	156,710	1,134,015	453,650
Administrative expenses	11	(381,654)	(417,503)	(1,092,170)	(1,294,352)
Share-based compensation	12	(49,817)	(35,185)	(252,907)	(175,927)
Operating loss		(26,704)	(295,978)	(211,062)	(1,016,629)
Finance costs		-	-	-	(333)
Net loss and comprehensive loss for the period		\$ (26,704)	\$ (295,978)	\$ (211,062)	\$ (1,016,962)
Loss per share - basic and diluted		\$ (0.00)	\$ (0.01)	\$ (0.01)	\$ (0.04)
Weighted average number of shares outstanding – basic		27,168,111	27,117,584	27,168,111	27,117,584
Weighted average number of shares outstanding - diluted		27,737,556	27,117,584	27,737,556	27,117,584

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	Stock Option Reserve	Deficit	Total
Balance, February 28, 2021	27,162,028	\$ 9,060,580	\$ 2,204,607	\$ (10,349,436)	\$ 915,751
Share-based compensation	-	-	175,927	-	175,927
Cancellation of issuance of common shares to settle payable to vendor (note 9)	(44,444)	(87,999)	-	87,999	-
Net loss for the nine month period ended November 30, 2021	-	-	-	(1,016,962)	(1,016,962)
Balance, November 30, 2021	27,117,584	\$ 8,972,581	\$ 2,380,534	\$ (11,278,399)	\$ 74,716
Share-based compensation	-	-	29,595	-	29,595
Issuance of common shares to settle payable to vendor (note 9)	29,416	71,107	(32,866)	-	38,241
Stock options exercised (note 10)	-	-	(261,650)	261,650	-
Net loss for the three month period ended February 28, 2022	-	-	-	(194,359)	(194,359)
Balance, February 28, 2022	27,147,000	\$ 9,043,688	\$ 2,115,613	\$ (11,211,108)	\$ (51,807)
Share-based compensation	-	-	252,907	-	252,907
Issuance of common shares to settle payable to vendor (note 9)	21,111	51,032	(23,588)	-	27,444
Options forfeited (note 10)	-	-	(1,866,159)	1,866,159	-
Net loss for the nine month period ended November 30, 2022	-	-	-	(211,062)	(211,062)
Balance, November 30, 2022	27,168,111	\$ 9,094,720	\$ 478,773	\$ (9,556,011)	\$ 17,482

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	Nine Months Ended November 30, 2022	Nine Months Ended November 30, 2021
Cash flows used in operating activities			
Net loss for the period		\$ (211,062)	\$ (1,016,962)
Adjustments for:			
Amortization	6, 7	44,452	68,296
Accretion expense		-	329
Share-based compensation	12	252,907	175,927
Allowance for doubtful accounts	5	5,634	3,605
Net change in working capital:			
Restricted short-term investment		-	(128)
Trade and other receivables		(65,625)	73,793
Prepaid expenses and deposits		18,511	5,632
Trade and other payables		91,248	104,966
Cash flows received (used) in operating activities		136,065	(584,542)
Cash flows used in investing activities			
Purchase of equipment	6	-	(6,852)
Cash flows used in investing activities		-	(6,852)
Cash flows provided by (used in) financing activities			
Repayment of advances payable and borrowings		-	(13,045)
Cash flows used in financing activities		-	(13,045)
Change in cash during the period		136,065	(604,439)
Cash, beginning of period		134,750	749,708
Effect of translation of foreign currency		(5,634)	9,111
Cash, end of period		\$ 265,181	\$ 154,380
Supplemental information:			
Exercised option payment settled against Accounts Payable		\$ 27,445	\$ -

See accompanying notes to the unaudited condensed interim consolidated financial statements

PUDO Inc.

Notes to Condensed Interim Consolidated Financial Statements

Nine Months Ended November 30, 2022

(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.

The Company's registered office is at 6600 Goreway Drive, Unit D, Mississauga, Ontario, L4V 1S6. The Company is listed on the Canadian Securities Exchange ("CSE"), trading under the symbol "PDO" and is currently a member of the CSE Composite Index.

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 November 30, 2022, the Company had a working capital deficit of \$28,833 (February 28, 2022 – \$142,575), had not yet achieved profitable operations, had received cash in operating activities of \$136,065 for the nine-month period ended November 30, 2022 (November 30, 2021 - cash used in operating activities of \$584,542), had a deficit of \$9,556,011 as at November 30, 2022 (February 28, 2022 - \$11,211,108) and had shareholders' equity of \$17,482 (February 28, 2022 – deficit of \$51,807). These conditions reflect material uncertainties which cast significant doubt about the Company's ability to continue as a going concern. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. While the Company has been successful in raising the necessary funding to continue operations in the past, there is no assurance that it will be able to do so in the future. These condensed interim consolidated financial statements do not include the adjustments that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

2. Basis of preparation

(a) Statement of compliance

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by the IASB.

The same accounting policies and methods of computation are followed in these unaudited condensed interim consolidated financial statements as compared with the most recent annual consolidated financial statements as at and for the year ended February 28, 2022. Any subsequent changes to IFRS that are given effect in the Company's

PUDO Inc.

Notes to Condensed Interim Consolidated Financial Statements

Nine Months Ended November 30, 2022

(Expressed in Canadian Dollars)

(Unaudited)

2. Basis of preparation (continued)

annual consolidated financial statements for the year ending February 28, 2023, could result in restatement of these unaudited condensed interim consolidated financial statements.

The condensed interim consolidated financial statements of the Company for the three and nine month periods ended November 30, 2022 were approved and authorized for issue by the Board of Directors on January 4, 2023.

(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. 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 Nine Months Ended November 30, 2022 (Expressed in Canadian Dollars) (Unaudited)

3. Financial risk management (continued)

	Three Months Ended November 30,		Nine Months Ended November 30,	
	2022	2021	2022	2021
Revenue from one customer	\$ 282,553	\$ 337,876	\$ 937,429	\$ 859,645
% of total revenue	28%	62%	32%	57%

	November 30, 2022	February 28, 2022
Accounts Receivable from one Customer	87,419	102,746
% of total accounts receivable	22%	32%

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

	November 30, 2022	February 28, 2022
Cash	\$ 265,181	\$ 134,750
Restricted short-term investment	25,632	25,632
Trade and other receivables	390,937	325,312
	\$ 681,750	\$ 485,694

(ii) Liquidity risk

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

The following are the contractual maturities of financial liabilities:

November 30, 2022	1 Year or Less	Greater than 1 year	Total
Trade and other payables	\$ 777,324	\$ -	\$ 777,324

February 28, 2022	1 Year or Less	Greater than 1 year	Total
Trade and other payables	\$ 713,521	\$ -	\$ 713,521

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

(iii) Market risk

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

PUDO Inc.

Notes to Condensed Interim Consolidated Financial Statements Nine Months Ended November 30, 2022 (Expressed in Canadian Dollars) (Unaudited)

3. Financial risk management (continued)

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

	Three Months Ended November 30,		Nine Months Ended November 30,	
	2022	2021	2022	2021
Canada	\$ 997,259	\$ 535,582	\$ 2,841,133	\$ 1,439,301
United States of America	26,630	13,481	76,843	73,043
	\$ 1,023,889	\$ 549,063	\$ 2,917,976	\$ 1,512,344

(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 November 30, 2022 and February 28, 2022, the Company and its subsidiaries had cash, trade and other receivables and trade and other payables denominated in US dollars as follows:

As at November 30, 2022	USD	CAD Equivalent
Cash	\$ 57,201	\$ 77,266
Trade and other receivables	22,795	30,791
	\$ 79,996	\$ 108,057

As at February 28, 2022	USD	CAD Equivalent
Cash	\$ 33,228	\$ 38,383
Trade and other receivables	40,483	51,406
Trade and other payables	(25,678)	(32,606)
	\$ 45,033	\$ 57,183

(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 Company defines capital as shareholder's equity, loans and borrowings. As at November 30, 2022, the Company had shareholders'

PUDO Inc.

Notes to Condensed Interim Consolidated Financial Statements

Nine Months Ended November 30, 2022

(Expressed in Canadian Dollars)

(Unaudited)

3. Financial risk management (continued)

equity of \$17,482 (February 28, 2022 – deficit of \$51,807) and loans and borrowings of \$ nil (February 28, 2022 – \$ nil).

The Company's capital management objectives, policies and processes have remained materially unchanged during the nine-month period ended November 30, 2022 and the year ended February 28, 2022.

(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 November 30, 2022, 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.

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 non-financial assets) and at objective evidence, for a 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. The Company reviews property and equipment and intangible assets for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

Impairment of financial assets

All financial assets except for those at FVTPL are reviewed for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or group of financial assets is impaired.

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, including the recognition and measurement of any potential deferred tax assets. 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, 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

PUDO Inc.

Notes to Condensed Interim Consolidated Financial Statements

Nine Months Ended November 30, 2022

(Expressed in Canadian Dollars)

(Unaudited)

4. Critical accounting estimates and judgments (continued)

dependent on the terms and conditions of the grant. Assumptions are made and judgment is used in applying valuation techniques.

Going concern

The assessment of the Company's ability to continue as a going concern involves judgment regarding future funding available to increase revenues and working capital requirements.

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

	November 30, 2022	February 28, 2022
Trade receivables	\$ 166,043	\$ 291,748
Other receivables	224,894	33,564
	\$ 390,937	\$ 325,312

Allowance for doubtful accounts as at November 30, 2022 was \$ 5,634 (February 28, 2022 – \$ 5,438).

6. Equipment

Scanners and Tablets	Cost	Accumulated Amortization	Net Book Value
Balance at February 29, 2021	\$ 316,857	\$ 256,517	\$ 60,340
Additions / amortization	6,852	43,743	(36,891)
Balance at February 28, 2022	\$ 323,709	\$ 300,260	\$ 23,449
Additions / amortization	-	18,963	(18,963)
Balance at November 30, 2022	\$ 323,709	\$ 319,223	\$ 4,486

7. Intangible assets

Computer Software	Cost	Accumulated Amortization	Net Book Value
Balance at February 29, 2021	\$ 774,392	\$ 668,848	\$ 105,544
Additions / amortization	-	38,225	(38,225)
Balance at February 28, 2022	\$ 774,392	\$ 707,073	\$ 67,319
Additions / amortization	-	25,490	(25,490)
Balance at November 30, 2022	\$ 774,392	\$ 732,563	\$ 41,829

PUDO Inc.

Notes to Condensed Interim Consolidated Financial Statements

Nine Months Ended November 30, 2022

(Expressed in Canadian Dollars)

(Unaudited)

8. Trade and other payables

	As at November 30, 2022	As at February 28, 2022
Trade payables	\$ 410,407	\$ 373,644
QST payable	4,926	5,902
Other payables	154,141	184,828
Accrued liabilities	207,850	149,147
	\$ 777,324	\$ 713,521

9. 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 29, 2021	27,162,028	\$ 9,060,580
Common shares cancelled (i)	(44,444)	(87,999)
Common shares issued (ii)	29,416	\$ 71,107
Balance, February 28, 2021	27,147,000	\$ 9,043,688
Common share issued (iii)	21,111	51,032
Balance, November 30, 2021	27,168,111	\$ 9,094,720

- (i) In November 2020, the Company issued 44,444 common shares to pay for an \$87,999 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.
- (ii) In February 2022, the Company's consultant exercised their stock options. As a result, 29,416 shares at the exercise value of \$38,240 were issued. The exercised value was settled against the payable towards the consultant. The common shares were valued at \$71,107.
- (iii) In October 2022, the Company's consultant exercised their stock options. As a result, 21,111 shares at the exercise value of \$27,444 were issued. The exercised value was settled against the payable towards the consultant. The common shares were valued at \$51,032.

PUDO Inc.

Notes to Condensed Interim Consolidated Financial Statements

Nine Months Ended November 30, 2022

(Expressed in Canadian Dollars)

(Unaudited)

10. 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 nine-month period ended November 30, 2022 and the year ended February 28, 2022:

	Number of stock options	Exercise Price
Balance, February 29, 2021	2,412,417	\$ 1.35
Options issued (i)	(325,000)	1.20
Options issued (ii)	(29,416)	1.30
Balance, February 28, 2022	2,058,001	\$ 1.35
Options issued (iii)	225,000	0.81
Options issued (iv)	344,445	0.81
Options exercised Note 9 (iii)	(21,111)	1.30
Options expired (v)	(1,688,140)	1.30
Balance, November 30, 2022	918,195	\$ 1.11

The following table reflects the actual stock options issued and outstanding as at November 30, 2022:

	Exercise Price (\$)	Remaining contractual life (years)	Weighted average number of options outstanding	Options vested (exercisable)	Estimated grant date fair value (\$)
July 17, 2025	1.14	2.67	213,750	124,688	223,792
July 17, 2025	1.75	2.67	135,000	78,750	129,739
March 1, 2027	0.81	4.25	569,445	106,771	367,071
	1.24	3.19	918,195	310,209	720,602

PUDO Inc.

Notes to Condensed Interim Consolidated Financial Statements

Nine Months Ended November 30, 2022

(Expressed in Canadian Dollars)

(Unaudited)

10. Stock option reserve (continued)

- (i) 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 BlackScholes 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 January 2022, 325,000 options were forfeited and \$261,650 were classified to the deficit for the year ended February 28, 2022.
- (ii) In February 2022, the Company's consultant exercised their stock options. As a result, 29,416 shares at the exercise value of \$38,240 were issued. The exercised value was settled against the payable towards the consultant. The common shares were valued at \$71,106.
- (iii) In March 2022, the Company granted 225,000 stock options to directors of the Company. The options were exercisable at a price of \$0.81 per common share and will expire on March 1, 2027. The options vest in 25% increments yearly with the first 25% having vested on March 1, 2022. The grant date fair value of the stock options was estimated to be \$ 145,038 using the BlackScholes valuation model with the following weighted average assumptions: expected dividend yield of 0%, expected volatility of 113%, risk-free interest rate of 0.62%, and expected life of 5 years.
- (iv) In March 2022, the Company granted 344,445 stock options to the consultants of the Company. The options were exercisable at a price of \$0.81 per common share and will expire on March 1, 2027. 325,000 of the options vest in 25% increments yearly with the first 25% having vested on March 1, 2022. 19,445,000 of the options vest in 25% increments quarterly with the first 25% having vested on June 1, 2022. The grant date fair value of the stock options was estimated to be \$ 222,033 using the Black-Scholes valuation model with the following weighted average assumptions: expected dividend yield of 0%, expected volatility of 113%, risk-free interest rate of 0.62%, and expected life of 5 years.
- (v) In October 2022, 1,688,140 options with a strike price of 1.30 expired. As a result, \$1,866,159 was removed from stock options reserve and recorded against deficit.

PUDO Inc.

Notes to Condensed Interim Consolidated Financial Statements

Nine Months Ended November 30, 2022

(Expressed in Canadian Dollars)

(Unaudited)

11. Expenses categorized by nature

Cost of sales	Three Months Ended November 30,		Nine Months Ended November 30,	
	2022	2021	2022	2021
External processing charges	\$ 617,427	\$ 390,574	\$ 1,778,937	\$ 1,053,479
Computer and web access charges	1,695	1,779	5,024	5,215
	\$ 619,122	\$ 392,353	\$ 1,783,961	\$ 1,058,694

Administrative expenses	Three Months Ended November 30,		Nine Months Ended November 30,	
	2022	2021	2022	2021
Salaries and Benefits	\$ 206,680	\$ 244,294	\$ 601,485	\$ 734,125
General and administrative expenses	75,092	58,278	206,969	216,980
Professional fees	25,523	14,547	69,334	65,112
Investor relations	16,618	18,018	39,714	55,729
Travel and business development	15,772	14,206	35,922	26,199
Consulting Fees	14,572	10,338	39,410	34,584
Agent and filing fees	12,588	9,872	42,734	38,350
Accounting and office	2,798	24,595	13,811	52,884
Foreign exchange loss (gain)	(666)	423	(1,661)	2,093
Amortization (notes 6 and 7)	12,677	22,932	44,452	68,296
	\$ 381,654	\$ 417,503	\$ 1,092,170	\$ 1,294,352

12. Related party balances and transactions

During the three and nine month periods ended November 30, 2022 and 2021, the Company incurred accounting fees and office rental, which is included in accounting and office expense, of \$4,068 and \$12,204 (November 30, 2021 - \$10,350 and 42,865), respectively to a company with a common officer and director.

During the three and nine month periods ended November 30, 2021 and 2020, the Company had the following transactions with shareholders, management and directors:

	Three Months Ended November 30,		Nine Months Ended November 30,	
	2022	2021	2022	2021
Share Based Compensation	\$ 49,817	\$ 35,185	\$ 252,907	\$ 175,927
Salaries and benefits	47,778	37,089	154,165	132,514
Consulting fees	10,234	9,675	30,803	19,746
	\$ 107,829	\$ 81,949	\$ 437,875	\$ 328,187

As at November 30, 2022, balances payable to the related parties noted above amounted to \$33,133 (February 28, 2022 - \$25,186) and are included in trade and other payables. These balances are unsecured, non-interest bearing and are due on demand.

PUDO Inc.

Notes to Condensed Interim Consolidated Financial Statements

Nine Months Ended November 30, 2022

(Expressed in Canadian Dollars)

(Unaudited)

12. Related party balances and transactions (continued)

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

See also note 8, and 9.

13. 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 November 30, 2022.

14. Subsequent Event

On December 19, 2022, the Company entered into debt conversion agreements with three employees of the Company to eliminate their accrued vacation payable up to and including December 3, 2022, accrued vacation. In lieu of payment the Company will issue common shares. The reduction of accrued vacation liability and payout of the Company's common shares will take place in two tranches;- the first being completed by December 23, 2022, and the second by February 20, 2023.

On January 4, 2023, the Company announced that its board of directors appointed Elliott Etheredge as Chief Executive Officer. Frank Coccia will assume the role of Chief Operating Office, President and Founder continuing his leadership developing customer solutions and network expansion.