
PUDO INC.

CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEARS ENDED FEBRUARY 28, 2023 AND
FEBRUARY 28, 2022**

(EXPRESSED IN CANADIAN DOLLARS)



INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
PUDO Inc.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of PUDO Inc. (the Company), which comprise the consolidated statements of financial position as at February 28, 2023 and 2022, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at February 28, 2023 and 2022, and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Relating to Going Concern

We draw your attention to Note 1 in the consolidated financial statements, which indicates the Company incurred a comprehensive loss of \$327,812 during the year ended February 28, 2023. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the annual management's discussion and analysis, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Pat Kenney.

Clearhouse LLP

Chartered Professional Accountants
Licensed Public Accountants

Mississauga, Ontario
June 5, 2023

PUDO Inc.
Consolidated Statements of Financial Position
As at February 28, 2023 and February 28, 2022

(Expressed in Canadian Dollars)

As at February 28	Notes	2023	2022
Assets			
Current assets			
Cash		\$ 177,925	\$ 134,750
Restricted short-term investment	3(l)	25,632	25,632
Trade and other receivables	4, 6	277,484	325,312
Prepaid expenses and deposits		92,147	85,252
Total current assets		573,188	570,946
Non-current assets			
Equipment	7	4,129	23,449
Intangible assets	8	35,063	67,319
Total assets		\$ 612,380	\$ 661,714
Liabilities			
Current liabilities			
Trade and other payables	4, 9, 13	\$ 569,130	\$ 713,521
Total current liabilities		569,130	713,521
Total liabilities		569,130	713,521
Shareholders' equity (deficiency)			
Share capital	10	9,177,037	9,043,688
Stock option reserve	11	538,974	2,115,613
Deficit		(9,672,761)	(11,211,108)
Shareholders' equity (deficiency)		43,250	(51,807)
Total liabilities and shareholders' equity (deficiency)		\$ 612,380	\$ 661,714

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 consolidated financial statements

PUDO Inc.**Consolidated Statements of Loss and Comprehensive Loss
For the years ended February 28, 2023 and February 28, 2022***(Expressed in Canadian Dollars)*

	Notes	2023	2022
Revenue	4	\$ 3,834,049	\$ 2,162,365
Cost of sales	12, 13	(2,356,275)	(1,464,537)
Gross profit		1,477,774	697,828
Administrative expenses	12	(1,492,478)	(1,703,294)
Share-based compensation	11, 13	(313,108)	(205,522)
Operating loss		(327,812)	(1,210,988)
Finance costs		-	(333)
Net loss and comprehensive loss for the year		\$ (327,812)	\$ (1,211,321)
Loss per share			
basic and diluted	3(k)	\$ (0.01)	\$ (0.04)
Weighted average number of shares			
outstanding – basic and diluted	3(k)	27,165,677	27,124,038

See accompanying notes to the consolidated financial statements

PUDO Inc.

Consolidated Statements of Changes in Shareholders' Equity For the years ended February 28, 2023 and February 28, 2022

(Expressed in Canadian Dollars)

	# 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 (note 11, 13)	-	-	205,522	-	205,522
Cancellation of issuance of common shares to settle payable to vendor (note 10)	(44,444)	(87,999)	-	87,999	-
Issuance of common shares to settle payable to vendor (note 10)	29,416	71,107	(32,866)	-	38,241
Options forfeited (note 11)	-	-	(261,650)	261,650	-
Net loss for the year	-	-	-	(1,211,321)	(1,211,321)
Balance, February 28, 2022	27,147,000	\$ 9,043,688	\$ 2,115,613	\$ (11,211,108)	\$ (51,807)
Share-based compensation (note 11, 13)	-	-	313,108	-	313,108
Stock options exercised (note 10)	21,111	51,032	(23,588)	-	27,444
Issuance of common shares to settle payable to employees (note 10)	102,896	82,317	-	-	82,317
Options expired (note 11)	-	-	(1,866,159)	1,866,159	-
Net loss for the year	-	-	-	(327,812)	(327,812)
Balance, February 28, 2023	27,271,007	\$ 9,177,037	\$ 538,974	\$ (9,672,761)	\$ 43,250

See accompanying notes to the consolidated financial statements

PUDO Inc.**Consolidated Statements of Cash Flows****For the years ended February 28, 2023 and February 28, 2022***(Expressed in Canadian Dollars)*

	Notes	2023	2022
Cash flows provided by (used in) operating activities			
Net loss for the year		\$ (327,812)	\$ (1,211,321)
Adjustments for:			
Share-based compensation	13	313,108	205,522
Amortization	7, 8	53,383	81,968
Finance costs		-	333
Provision for bad debts	6	7,382	5,437
Net change in non-cash working capital:			
Restricted short-term investment		-	(128)
Trade and other receivables		47,828	52,650
Prepaid expenses and deposits		(6,895)	(10,862)
Trade and other payables		(34,631)	287,110
Cash flows provided by (used in) operating activities		52,363	(589,291)
Cash flows (used in) investing activities			
Purchase of equipment	7	(1,807)	(6,852)
Cash flows (used in) investing activities		(1,807)	(6,852)
Cash flows (used in) financing activities			
Repayment of loan		-	(13,045)
Cash flows (used in) financing activities		-	(13,045)
Change in cash during the year		50,556	(609,188)
Cash, beginning of year		134,750	749,708
Effect of translation of foreign currency		(7,381)	(5,770)
Cash, end of year		\$ 177,925	\$ 134,750
Supplemental information:			
Exercised option payment settled against accounts payable		27,444	38,241
Issuance of common shares in lieu of accounts payable		82,317	-

See accompanying notes to the consolidated financial statements

PUDO Inc.

Notes to Consolidated Financial Statements

For the Years Ended February 28, 2023 and February 28, 2022

(Expressed in Canadian Dollars)

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 located 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 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 February 28, 2023, the Company had a working capital surplus of \$4,058 (2022 – deficit of \$142,575), had not yet achieved profitable operations, had received cash from operating activities of \$52,363 for the year ended February 28, 2023 (2022 – cash used in \$589,291), had a deficit of \$9,672,761 as at February 28, 2023 (2022 - \$11,211,108) and had a shareholders’ equity of \$43,250 at February 28, 2023 (2022 – shareholders’ deficiency 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 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 consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), effective as of February 28, 2022 and interpretations issued by the IFRS Interpretations Committee (“IFRIC”).

The consolidated financial statements of the Company for the year ended February 28, 2023 were approved and authorized for issuance by the Board of Directors on June 2, 2023.

PUDO Inc.

Notes to Consolidated Financial Statements

For the Years Ended February 28, 2023 and February 28, 2022

(Expressed in Canadian Dollars)

2. Basis of preparation (continued)

(b) Basis of presentation

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

(c) Basis of consolidation

The 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. Grandview Gold (USA) Inc., and Recuperacion Realzada S.A.C. are inactive entities.

3. Significant accounting policies

(a) Changes in accounting standards

There were no new accounting standards that effected current year's consolidated financial statements.

(b) Foreign currencies

The functional currency of the Company and two of its subsidiaries, Grandview Gold (USA) Inc., and Recuperacion Realzada, S.A.C, is the Canadian dollar. The functional currency of PUDOpoint Inc. is the United States dollar ("USD"). Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

In situations where the functional currency is not the same as the presentation currency, foreign currency denominated assets and liabilities are translated to their presentation currency equivalents using foreign exchange rates in effect at the consolidated statement of financial position date. Revenues and expenses are translated at average rates of exchange during the period.

(c) Revenue recognition

To determine the amount and timing of revenue to be recognized, the Company follows a 5-step process:

1. Identifying the contract with a customer;
2. Identifying the performance obligations;
3. Determining the transaction price;
4. Allocating the transaction price to the performance obligations; and
5. Recognizing revenue when/as performance obligation(s) are satisfied.

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

PUDO Inc.

Notes to Consolidated Financial Statements

For the Years Ended February 28, 2023 and February 28, 2022

(Expressed in Canadian Dollars)

3. Significant accounting policies (continued)

delivered directly to a PUDOpoint or Kinekpoint; (iii) partners utilize network for drop off packages for a consolidated pickup; and (iv) PUDO partners utilize the PUDOpoint network for returns of e-commerce packages.

The Company also provides a service (Third Party Logistics) where partners utilize our technology and services for package final mile delivery to a residential or business address. This service does not require the packages to be delivered to a PUDOpoint location.

In other event, PUDO recognizes revenue when the parcel has arrived at the PUDOpoint or Kinekpoint which is the point at which the Company has satisfied its performance obligation under its contracts with consumers, couriers and third-party locations and revenue is reliably measurable and collection is reasonably assured. For third-party logistics revenue is recognized when the package is recognized upon delivery at final destination.

(d) Equipment

Equipment, which consists primarily of computer tablets and scanners, is initially recorded at cost. Computer tablets and scanners are amortized using the straight-line method over their estimated useful life of 2 years.

(e) Intangible assets

Intangible assets, which consist of computer systems software, including software acquired in a business combination, are initially recorded at cost. Computer systems software is amortized using the straight-line method over its estimated useful life of 4 years.

(f) Impairment of non-financial assets

At each statement of financial position reporting date, the carrying amounts of the Company's assets are reviewed to determine whether there is an indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss in the statements of loss and comprehensive loss for the year. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

At each reporting date, the Company assesses whether there is any indication that previously recognized impairment losses no longer exist. If such an indication exists, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss in the statements of loss and comprehensive loss.

(g) Financial instruments

The Company's accounting policies in respect of its financial instruments are set out below:

Financial assets

On initial recognition, financial assets are recognized at fair value. They are classified to be subsequently measured at amortized cost or fair value through profit or loss ("FVTPL"). The objective of the financial assets is to hold them and contractual cash flows are solely payments of principal and interest on the outstanding principal amount.

PUDO Inc.

Notes to Consolidated Financial Statements

For the Years Ended February 28, 2023 and February 28, 2022

(Expressed in Canadian Dollars)

3. Significant accounting policies (continued)

Therefore, subsequent measurements are made at amortized cost.

A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is recorded in profit or loss.

At each reporting date, the Company assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Impairment losses on assets carried at amortized cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognized in profit or loss and reflected in an allowance against loans and receivables. Interest on impaired assets continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Trade receivables are initially measured at the transaction price and classified as amortized cost. Cash, restricted short-term investments and other amounts receivable are initially measured at fair value and classified as amortized cost.

Financial liabilities

Financial liabilities are initially recorded at fair value and designated upon inception as fair value through profit or loss or amortized cost. Trade and other payables, and loans and borrowings are recognized on the trade date at which the Company becomes a party to the contractual provisions of the instrument. Trade and other payables, advances payable, and loans and borrowings are initially recognized at fair value. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Financial liabilities are derecognized when the contractual obligations are discharged, cancelled or expire.

Fair value measurement

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels: Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Offsetting

Financial assets and liabilities are offset and the net amount presented in the financial statements when and only when, the Company has a legal right to set off the recognized amounts and it intends either to settle on a net basis or realize the asset and settle the liability simultaneously.

(h) Share-based compensation

Equity-settled share-based compensation to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in the stock option reserve note 11.

PUDO Inc.

Notes to Consolidated Financial Statements

For the Years Ended February 28, 2023 and February 28, 2022

(Expressed in Canadian Dollars)

3. Significant accounting policies (continued)

Fair value is measured at grant date and each tranche is recognized on a graded-vesting basis over the period in which the options vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to stock options reserve.

Equity-settled share-based compensation transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

On exercise, the value originally recorded in stock option and warrant reserves is recorded in share capital with proceeds received. For those stock options and warrants that expire after vesting, the recorded value is transferred from stock option and warrant reserves to deficit.

(i) Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

(j) Income taxes

Income tax expense comprises current and deferred taxes. Current taxes and deferred taxes are recognized in profit and loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income (loss).

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(k) Loss per share

Basic loss per share is calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive instruments such as stock options and warrants. Stock options and warrants are dilutive when the Company has income from operations and the average market price of the common shares during the period exceeds the exercise price of the options and warrants. Since the stock options held at the year ended February 28, 2023 and February 28, 2022 were anti-dilutive, they have been excluded from the diluted loss per share calculation.

PUDO Inc.

Notes to Consolidated Financial Statements

For the Years Ended February 28, 2023 and February 28, 2022

(Expressed in Canadian Dollars)

3. Significant accounting policies (continued)

(l) Short-term investments

Short-term investments are comprised of guaranteed investment certificates with original maturities of greater than three months and up to one year. As at February 28, 2023 and February 28, 2022, the restricted short-term investment was comprised of a cashable guaranteed investment certificate to be held as collateral for a corporate credit card for as long as the credit card is active and has been reflected as a restricted asset. The restricted short-term investment amount would change if there is any change in the credit limit on the credit card.

(m) Segment information

The Company operates in one operating segment: providing technology and a network of third-party locations for alternative drop-off and pick up options for parcels.

The Company has identified its operating segment based on the financial information that is reviewed and used by executive management (collectively, the Chief Operating Decision Maker, or “CODM”) in assessing performance and in determining the allocation of resources. The CODM considers the business from a single segment perspective and assesses the performance of the segment based on measures of profit and loss as well as assets and liabilities. These measures include revenue, operating expenditures, working capital, non-current assets and total debt.

Financial information about the operating segment is reported to the CODM on at least a monthly basis. As the operations comprise a single segment, amounts disclosed in the consolidated financial statements also represent segment amounts.

(n) Receivables and Expected Credit Loss

Accounts receivables are recorded at the invoiced amount and do not bear interest. Expected credit losses reflect the Company’s estimate of amounts in its existing accounts receivable that may not be collected due to customer claims or customer inability or unwillingness to pay. Collectability of receivables is reviewed on an ongoing basis.

The expected credit loss is determined based on a combination of factors, including the Company’s risk assessment regarding the credit worthiness of its customers, historical collection experience and length of time the receivables are past due. For financial assets measured at amortized cost, loss allowances for expected credit losses are presented in the consolidated statement of financial position as a deduction from the gross carrying amount of the financial asset.

4. Financial risk management

(a) Fair values

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

PUDO Inc.

Notes to Consolidated Financial Statements

For the Years Ended February 28, 2023 and February 28, 2022

(Expressed in Canadian Dollars)

4. Financial risk management (continued)

The Board of Directors of the Company (the "Board") 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.

(c) 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 trade and other receivables. The extent of the Company's exposure to credit risk is approximated by the carrying values recorded in the Company's consolidated statement of financial position. The Company has two customer with significant revenues. This customer is comprised of three different businesses operated independently under common control.

	2023	2022
Revenue from customer #1	\$ 1,250,960	\$ 471,993
% of total revenue	33%	22%
Revenue from customer #2	\$ 1,240,255	\$ 1,125,564
% of total revenue	32%	53%
Account receivable from customer #1	\$ 38,290	\$ 102,746
% of total accounts receivable	14%	32%
Account receivable from customer #2	\$ 68,898	\$ 83,935
% of total accounts receivable	25%	26%

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

	2023	2022
Cash	\$ 177,925	\$ 134,750
Restricted short-term investment	25,632	25,632
Trade and other receivables	277,484	325,312
	\$ 481,041	\$ 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.

PUDO Inc.

Notes to Consolidated Financial Statements

For the Years Ended February 28, 2023 and February 28, 2022

(Expressed in Canadian Dollars)

4. Financial risk management (continued)

The following are the contractual maturities of financial liabilities, including interest, where applicable:

As at February 28, 2023	1 Year or Less	Greater than 1 year	Total
Trade and other payables	\$ 569,130	\$ -	\$ 569,130

As at 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.

Revenue by geographic region is as follows:

	2023	2022
Canada	\$ 3,725,710	\$ 2,105,627
United States of America	108,339	56,738
	\$ 3,834,049	\$ 2,162,365

Revenue by service

	2023	2022
Returns	\$ 1,259,046	\$ 479,591
Third Party Logistics	985,448	857,242
For Pick Up	836,625	205,707
Failed First Attempts	496,239	483,163
Direct to PUDO	116,839	61,376
Other	139,852	56,736
	\$ 3,834,049	\$ 2,162,365

(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 foreign exchange rate. The Company also has revenue and expenses in both Canadian and US dollars. Since the Company reports its results in Canadian dollars, the functional and presentation 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 February 28, 2023 and February 28, 2022, the Company had cash, trade and other receivables and trade and other payables denominated in US dollars as follows:

PUDO Inc.

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4. Financial risk management (continued)

As at February 28, 2023	USD		CAD	
Cash	\$	36,889	\$	50,202
Trade and other receivables		62,753		85,402
Trade and other payables		(30,820)		(41,941)
	\$	68,822	\$	93,663

As at February 28, 2022	USD		CAD	
Cash	\$	30,228	\$	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 shareholders' equity and loans and borrowings. As at February 28, 2023, the Company had a shareholders' equity of \$43,250 (2022 – shareholders' deficit of \$51,807).

The Company's capital management objectives, policies and processes have remained materially unchanged during the years ended February 28, 2023 and 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 US dollar denominated balances as at February 28, 2023, would affect the net loss by approximately \$1,000 during the year.

5. Critical accounting estimates and judgments

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

Intangible assets and equipment

The useful life of intangible assets and equipment is determined by management at the time the software and equipment is acquired and brought into use and is regularly reviewed for appropriateness. For unique software products controlled by the Company, the estimated life is based on management's historical experience with similar products as well as anticipation of future events which may impact their life such as changes in technology. In the

PUDO Inc.

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5. Critical accounting estimates and judgments (continued)

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

Functional and presentation currency

In determining the functional currency of the parent and its subsidiaries, the Company considers the currency that mainly influences sales and the cost of providing goods and services in each jurisdiction in each the Company operates. The Company also considered secondary indicators including the currency in which funds from financing activities are denominated, the currency in which funds are retained and whether the activities of the subsidiaries are carried out as an extension of the Company or if they are carried out with a degree of autonomy.

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.

Valuation of shares issued for non-cash considerations

The Company makes estimates and judgments in determining the value of shares issued for non-cash consideration.

PUDO Inc.

Notes to Consolidated Financial Statements

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(Expressed in Canadian Dollars)

6. Trade and other receivables

	2023	2022
Trade receivables	\$ 182,236	\$ 291,748
Other receivables	95,248	33,564
	\$ 277,484	\$ 325,312

Allowance for doubtful accounts as at February 28, 2023 was \$7,382 (2022 – \$5,438).

The following is an aging analysis of the Company's trade and other receivables:

	Total Receivable	Aging in Days			
		Current	31 to 60	61 to 90	91+
February 28, 2022	\$ 325,312	\$ 297,154	\$ 18,202	\$ 1,258	\$ 8,698
February 28, 2023	\$ 277,484	\$ 239,432	\$ 14,924	\$ 1,649	\$ 21,478

7. Equipment

Scanners and Tablets	Cost	Accumulated Amortization	Net Book Value
Balance at February 28, 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	1,807	21,127	(19,320)
Balance at February 28, 2023	\$ 325,516	\$ 321,387	\$ 4,129

8. Intangible assets

Computer Software	Cost	Accumulated Amortization	Net Book Value
Balance at February 28, 2021	\$ 774,391	\$ 668,847	\$ 105,544
Additions / amortization	-	38,225	(38,225)
Balance at February 28, 2022	\$ 774,391	\$ 707,072	\$ 67,319
Additions / amortization	-	32,256	(32,255)
Balance at February 28, 2023	\$ 774,391	\$ 739,328	\$ 35,063

PUDO Inc.

Notes to Consolidated Financial Statements

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(Expressed in Canadian Dollars)

9. Trade and other payables

	2023	2022
Trade payables	\$ 385,272	\$ 373,643
QST payable	7,013	5,902
Other payables	109,546	184,829
Accrued liabilities	67,299	149,147
	\$ 569,130	\$ 713,521

Trade payables are non-interest bearing and payable within thirty (30) days.

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, 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, 2022	27,147,000	\$ 9,043,688
Common shares issued (iii)	21,111	51,032
Common shares issued (iv)	51,073	40,858
Common shares issued (v)	51,823	41,458
Balance, February 28, 2023	27,271,007	\$ 9,177,036

(i) 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.

(ii) In February 2022, a 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, a 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 Consolidated Financial Statements

For the Years Ended February 28, 2023 and February 28, 2022

(Expressed in Canadian Dollars)

10. Share capital (continued)

(iv) In December 2022, the Company issued 51,073 common shares to pay for \$40,858 of accrued vacation liability owing to three employees of the Company. This payment arrangement was part of a signed agreement between the Company and the employees. The common shares were issued at a price equal to the closing market price of the common shares of the Company as listed on the Canadian Securities Exchange ("CSE") on December 22, 2022, being \$0.80, in accordance with the policies of the CSE.

(v) In February 2023, the Company issued 51,823 common shares to pay for \$41,458 of accrued vacation liability owing to three employees of the Company. This payment arrangement was part of a signed agreement between the Company and the employees. The common shares were issued at a price equal to the closing market price of the common shares of the Company as listed on the Canadian Securities Exchange ("CSE") on February 13, 2023, being \$0.80, in accordance with the policies of the CSE.

11. 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 years ended February 28, 2023 and February 28, 2022:

	Number of stock options	Exercise Price
Balance, February 28, 2021	2,412,417	\$ 1.35
Options cancelled (i)	(325,000)	1.20
Options exercised (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 10 (iii))	(21,111)	1.30
Options expired (v)	(1,688,140)	1.30
Options issued (vi)	1,357,350	0.80
Balance, February 28, 2023	2,275,545	\$ 0.92

PUDO Inc.

Notes to Consolidated Financial Statements

For the Years Ended February 28, 2023 and February 28, 2022

(Expressed in Canadian Dollars)

11. Stock option reserve (continued)

The following table reflects the actual stock options issued and outstanding as at February 28, 2023:

Expiration date	Exercise Price (\$)	Remaining contractual life (years)	Number of options outstanding	Options vested (exercisable)	Estimated grant date fair value (\$)
July 17, 2025	1.14	2.42	213,750	124,688	223,792
July 17, 2025	1.75	2.42	135,000	101,250	129,739
March 1, 2027	0.81	4.00	569,445	152,084	367,071
January 2, 2027	0.80	3.75	1,357,350	-	525,275
	0.92	3.15	2,275,545	378,022	1,245,877

(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 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 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 \$71,107.

(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 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.

(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. 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, \$1,886,159 was removed from stock options reserve and recorded against deficit.

(vi) In February 2023, the Company granted 1,357,350 stock options to an employee of the Company. The options were exercisable at a price of \$0.80 per common share and will expire on December 28, 2026. The options vest in 6% increments quarterly with the first 6% having vested on March 13, 2023. The grant date fair value of the stock options was estimated to be \$525,275 using the Black-Scholes valuation model with the following weighted average assumptions: expected dividend yield of 0%, expected volatility of 57%, risk-free interest rate of 4.6%, and expected life of 4 years.

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Notes to Consolidated Financial Statements

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(Expressed in Canadian Dollars)

12. Expenses categorized by nature

Cost of sales	2023	2022
External processing charges	\$ 2,348,990	\$ 1,459,321
Computer and web access charges	7,285	5,216
	\$ 2,356,275	\$ 1,464,537

Administrative expenses	2023	2022
Salaries and benefits	\$ 813,500	\$ 928,280
General and administrative expenses	274,980	312,325
Professional fees	110,978	98,747
Investor relations	58,991	82,944
Agent and filing fees	57,232	54,534
Consulting fees	54,462	44,549
Amortization (notes 7 and 8)	53,383	81,968
Travel, promotion and business development	48,972	38,190
Accounting and office	21,411	58,584
Foreign exchange loss (gain)	(1,431)	3,173
	\$ 1,492,478	\$ 1,703,294

13. Related party balances and transactions

During the year ended February 28, 2023, the Company incurred bookkeeping fees, office rental, and warehouse sorting costs to a company with a common office and director. Warehouse sorting is included in cost of sales in the amount of \$36,631 (2022 – nil). Bookkeeping fee and office rental are included in accounting and office expense \$14,400 (2022 - \$32,400).

During the years ended February 28, 2023 and February 28, 2022, the Company had the following transactions with shareholders, management and directors:

	2023	2022
Share-based compensation	\$ 313,108	\$ 205,522
Salaries and benefits	226,870	183,455
Consulting fees	41,035	40,261
	\$ 581,013	\$ 429,238

As at February 28, 2023, balances payable to the related parties noted above amounted to \$64,640 (2022 - \$25,186) and are included in trade and other payables. These balances are unsecured, non-interest bearing and due on demand.

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

PUDO Inc.

Notes to Consolidated Financial Statements

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14. Income taxes

- a) Provision for income taxes

The Company's effective income tax rate differs from the combined Canadian federal and provincial statutory rate of 26.5% (2022 – 26.5%) as follows:

	2023	2022
(Loss) before income taxes	\$ (327,813)	\$ (1,211,322)
Expected income tax recovery based on statutory rate	(86,870)	(321,000)
Adjustment to expected income tax benefit:		
Share-based compensation	82,974	54,463
Non-taxable items	(11,461)	2,621
Change in benefit of tax assets not recognized	15,357	263,916
Deferred income tax provision (recovery) carried back against prior tax loss	\$ -	\$ -

- b) Temporary differences

	2023	2022
Change in non-capital loss carry-forwards	\$ 1,689	\$ 244,011
Change in other temporary differences	13,668	19,906
	\$ 15,357	\$ 263,916

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can use the benefits.

As at February 28, 2023, the Company had non-capital losses for Canadian tax purposes of \$7,640,680 available to reduce future taxable income in Canada, and non-capital losses for United States tax purposes of \$447,490 available to reduce future taxable income in the United States. The non-capital losses expire as follows:

Year	Canada	US	Totals
2035	281,000		281,000
2036	942,000		942,000
2037	842,000		842,000
2038	1,177,000		1,177,000
2039	1,133,000	294,000	1,427,000
2040	1,098,000	154,000	1,252,000
2041	1,216,000	(2,000)	1,214,000
2042	925,680	(4,885)	920,795
	\$ 7,614,680	\$ 441,115	\$ 8,055,795

PUDO Inc.

Notes to Consolidated Financial Statements

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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 consolidated financial statements as at February 28, 2023.