
PUDO INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTH PERIODS ENDED

AUGUST 31, 2023

(EXPRESSED IN CANADIAN DOLLARS)

(UNAUDITED)

NOTICE TO READER

The accompanying unaudited condensed interim consolidated financial statements of PUDO Inc. have been prepared by and are the responsibility of management. The unaudited condensed interim consolidated financial statements have not been reviewed by the Company's auditors.

PUDO Inc.**Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)
(Unaudited)**

As at	Notes	August 31, 2023	February 28, 2023
Assets			
Current assets			
Cash		\$ 163,297	\$ 177,925
Restricted short-term investment		25,850	25,632
Trade and other receivables	3, 5	315,652	277,484
Prepaid expenses and deposits		74,537	92,147
Total current assets		579,336	573,188
Non-current assets			
Equipment	6	3,466	4,129
Intangible assets	7	46,947	35,063
Total assets		\$ 629,749	\$ 612,380
Liabilities			
Current liabilities			
Trade and other payables	8, 11	\$ 736,801	\$ 569,130
Total liabilities		736,801	569,130
Shareholders' equity			
Share capital	9	9,177,037	9,177,037
Stock option reserve	10	721,278	538,974
Accumulated other comprehensive (loss)		(2,767)	-
Deficit		(10,002,600)	(9,672,761)
Shareholders' equity (deficit)		(107,052)	43,250
Total liabilities and shareholders' (deficit)		\$ 629,749	\$ 612,380

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 August 31,		Six Months Ended August 31,	
	Notes	2023	2022	2023	2022
Revenue	3	\$ 810,332	\$ 1,021,421	\$ 1,593,295	\$ 1,894,087
Cost of sales	11	(452,942)	(616,593)	(927,053)	(1,164,838)
Gross profit		357,390	404,828	666,242	729,249
Administrative expenses	11	(386,154)	(364,164)	(813,777)	(710,516)
Share-based compensation	12	(91,945)	(62,432)	(182,304)	(203,090)
Net loss		(120,709)	(21,768)	(329,839)	(184,357)
Other comprehensive loss					
Translation loss on foreign subsidiary		(2,767)	-	(2,767)	-
Net loss and comprehensive loss for the period		(123,476)	(21,768)	(332,606)	(184,357)
Loss per share - basic and diluted		\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.01)
Weighted average number of shares outstanding - basic and diluted		27,271,007	27,147,000	27,271,007	27,147,000

See accompanying notes to the unaudited condensed interim consolidated financial statements

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

(Unaudited)

	# of Common Shares	Share Capital	Stock Option Reserve	Accumulated Other Comprehensive Income (Loss)	Deficit	Total
Balance, February 28, 2022	27,147,000	\$ 9,043,688	\$ 2,115,613	\$ -	\$ (11,211,108)	\$ (51,807)
Share-based compensation (note 10, 13)	-	-	203,090	-	-	203,090
Net loss for the six month period ended August 31, 2022	-	-	-	-	(184,357)	(184,357)
Balance, August 31, 2022	27,147,000	\$ 9,043,688	\$ 2,318,703	\$ -	\$ (11,395,465)	\$ (33,074)
Share-based compensation (note 10, 13)	-	-	110,018	-	-	110,018
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 10)	-	-	(1,866,159)	-	1,866,159	-
Net loss for the six months ended February 28, 2023	-	-	-	-	(143,455)	(143,455)
Balance, February 28, 2023	27,271,007	\$ 9,177,037	\$ 538,974	\$ -	\$ (9,672,761)	\$ 43,250
Share-based compensation (note 10, 13)	-	-	182,304	-	-	182,304
Comprehensive loss for the six month period ended August 31, 2023	-	-	-	(2,767)	(329,839)	(332,606)
Balance, August 31, 2023	27,271,007	\$ 9,177,037	\$ 721,278	\$ (2,767)	\$ (10,002,600)	\$ (107,052)

See accompanying notes to the unaudited condensed interim consolidated financial statements

PUDO Inc.**Condensed Interim Consolidated Statements of Cash Flows****(Expressed in Canadian Dollars)****(Unaudited)**

	Notes	Six Months Ended August 31, 2023	Six Months Ended August 31, 2022
Cash flows used in operating activities			
Net loss for the period		\$ (329,839)	\$ (184,357)
Adjustments for:			
Amortization	6, 7	16,598	31,775
Share-based compensation	12	182,304	203,090
Allowance for doubtful accounts	5	13,564	5,861
Net change in working capital:			
Restricted short-term investment		(218)	-
Trade and other receivables		(38,168)	(10,039)
Prepaid expenses and deposits		17,610	15,351
Trade and other payables		167,671	29,177
Cash flows received in operating activities		29,522	90,858
Cash flows used in investing activities			
Purchase of intangible assets	7	(26,000)	-
Cash flows received in financing activities			
		Nil	Nil
Change in cash during the period		3,522	90,858
Cash, beginning of period		177,925	134,750
Effect of translation of foreign currency		(18,150)	(5,861)
Cash, end of period		\$ 163,297	\$ 219,747

See accompanying notes to the unaudited condensed interim consolidated financial statements

PUDO Inc.

Notes to Condensed Interim Consolidated Financial Statements

Three and Six Months Ended August 31, 2023 and 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 August 31, 2023, the Company had a working capital deficiency of \$157,465 (February 28, 2023 – surplus of \$4,058), had not yet achieved profitable operations, had received cash in operating activities of \$29,522 for the six-month period ended August 31, 2023 (six month period ended August 31, 2022 - \$90,858), had a deficit of \$10,002,600 as at August 31, 2023 (February 28, 2023 - \$9,672,761) and had shareholders' deficiency of \$107,052 (February 28, 2023 – shareholders' equity \$43,250). 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, 2023. Any subsequent changes to IFRS that are given effect in the Company's

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Notes to Condensed Interim Consolidated Financial Statements Three and Six Months Ended August 31, 2023 and 2022 (Expressed in Canadian Dollars) (Unaudited)

2. Basis of preparation (continued)

annual consolidated financial statements for the year ending February 28, 2024, 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 six month periods ended August 31, 2023 were approved and authorized for issue by the Board of Directors on September 26, 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 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.

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Notes to Condensed Interim Consolidated Financial Statements Three and Six Months Ended August 31, 2023 and 2022 (Expressed in Canadian Dollars) (Unaudited)

3. Financial risk management (continued)

	Three Months Ended August 31,		Six Months Ended August 31,	
	2023	2022	2023	2022
Revenue from customer one	\$ 363,311	\$ 344,605	\$ 697,199	\$ 654,876
% of total revenue	45%	34%	44%	35%
Revenue from customer two	\$ 153,917	\$308,762	\$348,195	\$585,434
% of total revenue	19%	30%	22%	31%
	As at August 31, 2023		As at February 28, 2023	
Accounts Receivable from Customer one	\$	42,632	\$	38,290
% of total accounts receivable		14%		14%
Accounts Receivable from Customer two	\$	37,347	\$	68,898
% of total accounts receivable		12%		25%

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

	August 31, 2023		February 28, 2023	
Cash	\$	163,297	\$	177,925
Restricted short-term investment		25,850		25,632
Trade and other receivables		315,652		277,484
	\$	504,799	\$	481,041

(ii) Liquidity risk

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

The following are the contractual maturities of financial liabilities:

August 31, 2023	1 Year or Less	Greater than 1 year	Total
Trade and other payables	\$ 736,801	\$ -	\$ 736,801
February 28, 2023	1 Year or Less	Greater than 1 year	Total
Trade and other payables	\$ 569,130	\$ -	\$ 569,130

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

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Notes to Condensed Interim Consolidated Financial Statements Three and Six Months Ended August 31, 2023 and 2022 (Expressed in Canadian Dollars) (Unaudited)

3. Financial risk management (continued)

(iii) Market risk

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

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

	Three Months Ended August 31,		Six Months Ended August 31,	
	2023	2022	2023	2022
Canada	\$ 749,238	\$ 990,150	\$ 1,503,160	\$ 1,843,875
United States of America	61,094	31,271	90,135	50,212
	\$ 810,332	\$ 1,021,421	\$ 1,593,295	\$ 1,894,087

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

	Three Months Ended August 31,		Six Months Ended August 31,	
	2023	2022	2023	2022
Returns	\$ 360,576	\$ 345,700	\$ 696,206	\$ 658,776
For Pick UP	127,446	242,990	246,860	420,911
Failed First Attempts	116,628	124,426	246,025	239,425
Third Party Logistics	92,475	245,142	218,598	459,313
Direct to PUDO	66,322	28,302	97,751	53,965
Other	46,885	34,861	87,855	61,697
	\$ 810,332	\$ 1,021,421	\$ 1,593,295	\$ 1,894,087

(iv) Currency risk

Since the Company has a bank account denominated in US dollars, it is exposed to foreign currency risk due to fluctuations in the exchange rate. The Company purchases goods and services and generates revenues in Canadian dollars and US dollars. Since the Company reports its results in Canadian dollars, the functional currency of the Company, it is exposed to changes in the value of the US dollar relative to that of the Canadian dollar.

As at August 31, 2023 and February 28, 2023, the Company and its subsidiaries had cash, trade and other receivables and trade and other payables denominated in US dollars as follows:

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Notes to Condensed Interim Consolidated Financial Statements Three and Six Months Ended August 31, 2023 and 2022 (Expressed in Canadian Dollars) (Unaudited)

3. Financial risk management (continued)

As at August 31, 2023	USD	CAD Equivalent
Cash	\$ 43,065	\$ 58,271
Trade and other receivables	135,014	182,687
Trade and other payables	(47,719)	(64,569)
	\$ 130,360	\$ 176,389

As at February 28, 2023	USD	CAD Equivalent
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

(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 August 31, 2023, the Company had shareholders' deficiency of \$107,052 (February 28, 2023 – shareholders' equity of \$43,250).

The Company's capital management objectives, policies and processes have remained materially unchanged during the six-month period ended August 31, 2023, and the year ended February 28, 2023.

(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 3% change in the US-Canadian dollar foreign exchange rate, based on the current US dollar denominated balances as at August 31, 2023, would affect the net loss by approximately plus or minus \$4,000 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.

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Notes to Condensed Interim Consolidated Financial Statements Three and Six Months Ended August 31, 2023 and 2022 (Expressed in Canadian Dollars) (Unaudited)

4. Critical accounting estimates and judgments (continued)

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 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.

PUDO Inc.

Notes to Condensed Interim Consolidated Financial Statements Three and Six Months Ended August 31, 2023 and 2022 (Expressed in Canadian Dollars) (Unaudited)

4. Critical accounting estimates and judgments (continued)

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.

5. Trade and other receivables

	August 31, 2023	February 28, 2023
Trade receivables	\$ 201,820	\$ 182,236
Allowance for doubtful accounts	(13,564)	(7,382)
Other receivables	127,396	102,630
	\$ 315,652	\$ 277,484

Allowance for doubtful accounts as at August 31, 2023 was \$ 13,564 (February 28, 2023 – \$ 7,382).

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, 2023	\$ 182,236	\$ 151,567	\$ 14,924	\$ 1,649	\$ 14,096
August 31, 2023	\$ 201,820	\$ 150,058	\$ 14,919	\$ 3,590	\$ 33,253

6. Equipment

Scanners and Tablets	Cost	Accumulated Amortization	Net Book Value
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
Additions / amortization	1,819	2,482	(663)
Balance at August 31, 2023	\$ 327,335	\$ 323,869	\$ 3,466

7. Intangible assets

Computer Software	Cost	Accumulated Amortization	Net Book Value
Balance at February 28, 2022	\$ 774,391	\$ 707,072	\$ 67,319
Additions / amortization	-	32,256	(32,256)
Balance at February 28, 2023	\$ 774,391	\$ 739,328	\$ 35,063
Additions / amortization	26,000	14,116	11,884
Balance at August 31, 2023	\$ 800,391	\$ 753,444	\$ 46,947

PUDO Inc.

Notes to Condensed Interim Consolidated Financial Statements Three and Six Months Ended August 31, 2023 and 2022 (Expressed in Canadian Dollars) (Unaudited)

8. Trade and other payables

	August 31, 2023	February 28, 2023
Trade payables	\$ 569,906	\$ 385,272
QST payable	2,445	7,013
Other payables	120,953	109,546
Accrued liabilities	43,497	67,299
	\$ 736,801	\$ 569,130

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

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 28, 2022	27,147,000	\$ 9,043,688
Common share issued (i)	21,111	51,033
Common share issued (ii)	51,073	40,858
Common share issued (iii)	51,823	41,458
Balance, February 28, 2023	27,147,007	\$ 9,177,037
Common share activity	-	-
Balance, August 31, 2023	27,147,007	\$ 9,177,037

(i) 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 \$51,033.

(ii) 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.

(iii) 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

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Notes to Condensed Interim Consolidated Financial Statements Three and Six Months Ended August 31, 2023 and 2022 (Expressed in Canadian Dollars) (Unaudited)

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.

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 six-month period ended August 31, 2023, and the year ended February 28, 2023:

	Number of stock options	Exercise Price
Balance, February 28, 2022	2,058,001	\$ 1.35
Options issued (i)	225,000	0.81
Options issued (ii)	344,445	0.81
Options exercised (note 9 (i))	(21,111)	1.30
Options expired (iii)	(1,688,140)	1.30
Options issued (iv)	1,357,350	0.80
Balance, February 28, 2023	2,275,545	\$ 0.92
Stock Options activity	-	-
Balance, August 31, 2023	2,275,545	\$ 0.92

The following table reflects the actual stock options issued and outstanding as at August 31, 2023:

	Exercise Price (\$)	Remaining contractual life (years)	Number of options outstanding	Options vested (exercisable)	Estimated grant date fair value (\$)
July 17, 2025	1.14	1.92	213,750	164,766	223,792
July 17, 2025	1.75	1.92	135,000	104,063	129,739
July 17, 2025	0.81	3.58	569,445	201,678	367,071
March 1, 2027	0.80	3.33	1,357,350	197,947	525,275
	0.92	2.69	2,275,545	668,453	1,245,877

PUDO Inc.

Notes to Condensed Interim Consolidated Financial Statements Three and Six Months Ended August 31, 2023 and 2022 (Expressed in Canadian Dollars) (Unaudited)

10. Stock option reserve (continued)

- (i) 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.
- (ii) 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.
- (iii) 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.
- (iv) 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

11. Expenses categorized by nature

Cost of sales	Three Months Ended August 31,		Six Months Ended August 31,	
	2023	2022	2023	2022
External processing charges	\$ 451,361	\$ 615,320	\$ 923,318	\$ 1,163,565
Computer and web access charges	1,581	1,273	3,735	1,273
	\$ 452,942	\$ 616,593	\$ 927,053	\$ 1,164,838

PUDO Inc.

Notes to Condensed Interim Consolidated Financial Statements Three and Six Months Ended August 31, 2023 and 2022 (Expressed in Canadian Dollars) (Unaudited)

11. Expenses categorized by nature (continued)

Administrative expenses	Three Months Ended August 31,		Six Months Ended August 31,	
	2023	2022	2023	2022
Salaries and Benefits	\$ 198,477	\$ 196,869	\$ 425,020	\$ 394,805
General and administrative expenses	86,318	70,729	163,958	131,877
Professional fees	19,971	20,628	43,128	43,812
Investor relations	19,339	11,631	38,592	23,096
Consulting fees	17,341	14,204	42,509	24,838
Transfer agent and filing fees	14,611	18,026	26,738	30,145
Travel and business development	13,917	14,285	39,237	20,151
Accounting and office	9,418	3,692	19,018	11,012
Foreign exchange loss (gain)	(1,558)	(1,787)	(1,021)	(995)
Amortization (notes 6 and 7)	8,320	15,887	16,598	31,775
	\$ 386,154	\$ 364,164	\$ 813,777	\$ 710,516

12. Related party balances and transactions

During the three and six month periods ended August 31, 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 \$27,569 for the three month period ended August 31, 2023 and \$36,147 for the six month periods ended August 31, 2023 (three month period ended August 31, 2022 - \$5,161 and six month periods ended August 31, 2022 - \$11,639). Bookkeeping fee and office rental are included in accounting and office expense for the three month period ended August 31, 2023 in the amount of \$3,418 and for the six month periods ended August 31, 2023 in the amount of \$7,018 (three month period ended August 31, 2022 - \$3,600 and six month periods ended August 31, 2022 - \$30,298)

During the three and six month periods ended August 31, 2023 and 2022, the Company had the following transactions with shareholders, management and directors:

	Three Months Ended August 31,		Six Months Ended August 31,	
	2023	2022	2023	2022
Share based compensation	\$ 91,945	\$ 62,432	\$ 182,304	\$ 203,090
Salaries and benefits	60,064	57,548	115,703	106,387
Consulting fees	10,167	9,610	32,109	19,065
	\$ 162,176	\$ 129,590	\$ 330,116	\$ 328,542

As at August 31, 2023, balances payable to the related parties noted above amounted to \$104,979 (February 28, 2023 - \$64,640) and are included in trade and other payables. These balances are unsecured, non-interest bearing and are due on demand.

See also note 10.

PUDO Inc.

Notes to Condensed Interim Consolidated Financial Statements

Three and Six Months Ended August 31, 2023 and 2022

(Expressed in Canadian Dollars)

(Unaudited)

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 August 31, 2023.