



PUDO INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

QUARTERLY HIGHLIGHTS

FOR THE THREE AND NINE MONTH PERIODS ENDED

NOVEMBER 30, 2019

(EXPRESSED IN CANADIAN DOLLARS)

Prepared by:

PUDO Inc.

**6600 Goreway Drive Unit D, Mississauga,
Ontario, Canada L4V 1S6**

PUDO Inc.
Interim Management's Discussion & Analysis - Quarterly Highlights
Three and nine month periods ended November 30, 2019
Discussion dated: January 13, 2020

Introduction

The following interim Management's Discussion and Analysis – Quarterly Highlights (the “Quarterly Highlights”) of the financial condition and results of the operations of PUDO Inc. (“PUDO” or the “Company”) constitutes management's review of the factors that affected the Company's financial and operating performance for the three and nine month periods ended November 30, 2019 (“Q3 FY 2020”), together with certain trends and factors that are expected to have an impact in the future.

These Quarterly Highlights have been prepared in compliance with the requirements of section 2.2.1 of Form 51-102F1, in accordance with National Instrument 51-102 - Continuous Disclosure Obligations. This discussion should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements for the three and nine month periods ended November 30, 2019, the audited annual consolidated financial statements of the Company for the years ended February 28, 2019 and 2018, together with the notes thereto, and Management's Discussion and Analysis (“Annual MD&A”) of the Company for the year ended February 28, 2019. All dollar amounts are expressed in Canadian dollars unless otherwise noted.

The Company's unaudited interim condensed consolidated financial statements and financial information contained in these Quarterly Highlights were prepared in compliance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting as issued by the International Accounting Standards Board (“IASB”) using the accounting policies the Company adopted in its audited annual consolidated financial statements as at and for the year ended February 28, 2019, except for the adoption of new standards effective as of March 1, 2019 and interpretations issued by the IFRS Interpretations Committee (“IFRIC”).

The Company's fiscal year end is February 28.

Further information regarding the Company and its operations are available on the Company's website at www.pudopoint.com and under the Company's SEDAR issuer profile at www.sedar.com, or upon request to the Company at 6600 Goreway Drive Unit D, Mississauga, Ontario, Canada, L4V 1S6.

Description of Business

PUDO is listed on the Canadian Securities Exchange (“CSE”) under the symbol “PDO” and on the OTCQB exchange under the symbol “PDPTF”.

PUDO's purpose is to improve the connection between e-commerce users and consumers. 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, and when, it's convenient for them.

Existing businesses, such as convenience stores or gas stations, provide services as a PUDOpoint™ (a “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 or drop-off (hence the name “PUDO”) e-commerce parcels.

PUDO'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.

PUDO Inc.
Interim Management's Discussion & Analysis - Quarterly Highlights
Three and nine month periods ended November 30, 2019
Discussion dated: January 13, 2020

Cautionary Note Regarding Forward-Looking Information

These Quarterly Highlights contain certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements address possible future events, conditions and financial performance based upon management's current expectations, estimates, projections and assumptions.

Management of the Company considers the assumptions on which the forward-looking information contained herein are based to be reasonable. However, by its very nature, forward-looking statements inherently involve known and unknown risks and uncertainties that may cause actual results to differ materially from those expressed or implied by such forward-looking statements. Such risks include, without limitation those risks discussed in the "Risk Factors" section of PUDO's Annual MD&A dated June 19, 2019.

All forward-looking statements herein are expressly qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The forward-looking statements in these Quarterly Highlights are made only as of the date of these Quarterly Highlights or as of the date specified in such statement. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

Highlights

During Q3 of Fiscal Year 2020, PUDO continued to show strong revenue growth associated with increased demand for PUDO services which continues to reinforce the potential of the Company's vision and corporate priorities. In this quarter, overall revenue was up 13.8% compared to the same quarter in the previous year. Strong growth in partner shipments was tempered by continued softness in member shipments sent to the Company's associated US border points. This weakness is in the context of overall reduced demand for the cross border parcel pickup services offered by Kinek locations.

As in the prior quarter, the Company continued to build parcel volume through the expansion of services to Canadian shipping partners. The Company continued to evolve and expand its current pilot programs with new and our current partners offering them new services and expanding the footprint of PUDO's existing suite of services as Network utilization grows.

On November 7, 2019, PUDO announced a unique initiative with The Salvation Army Thrift Store, National Recycling Operations ("NRO") and Give Back Box ("GBB"), aimed at increasing the quality and quantity of merchandise donated for re-sale, while simultaneously decreasing the volume of e-commerce packaging and goods destined for landfills. Through online integration with PUDO's proprietary technology a downloadable pre-paid shipping label and instructions are made available to consumers, who then fill their boxes with re-sellable clothing and shoes and drop off their boxes for consolidation through the utilization of PUDO services with eventual distribution to The Salvation Army Thrift Store.

PUDO closed a non-brokered private placement financing on November 7, 2019. The Issuer settled a total of \$772,000 in debt through the issuance to a company with a common director of 1,715,555 Units ("Unit") at a deemed issue price of \$0.45 per Unit (the "Debt Settlement") and has issued 333,333 Units at \$0.45 per Unit for gross proceeds of \$150,000 (the "Offering"). Pursuant to the Offering and the Debt Settlement

PUDO Inc.
Interim Management's Discussion & Analysis - Quarterly Highlights
Three and nine month periods ended November 30, 2019
Discussion dated: January 13, 2020

each Unit consists of one common share in the capital of the Corporation (each a "Common Share") and one warrant (each a "Warrant"). Each Warrant entitles the holder to acquire one common share (a "Warrant Share") for \$0.54 per warrant until November 7, 2020.

PUDO extended the terms of its existing convertible debentures (the "Debentures") previously disclosed and issued in November 2018. The Company's debt holders remain committed to the market opportunity for the suite of services PUDO is uniquely positioned to offer the e-commerce marketplace. Accordingly, they extended the terms of the debt agreements while PUDO continues to work through expansion of pilot programs as well as new services with both new and existing customers. Following are the terms of the extended Convertible Debentures: (1) for the \$400,000 9% unsecured Debenture originally issued November 30, 2018, the maturity date has been extended to November 30, 2020; and (2) for the \$50,000 12% unsecured Debenture originally issued November 8, 2018, the maturity date has been extended to November 8, 2020.

Operations

Parcel Volume Analysis

During Q3 FY 2020 the Company worked closely with its current partners in identifying strategic areas of the PUDO Network to accommodate parcel volume growth from those partners.

The Company continued to strategically manage the efficiencies of Network utilization throughout Q3 FY 2020, overall parcel volume increased by 5.2% compared to the three month period ended November 30, 2018 ("Q3 FY 2019"). During this quarter, Q3 FY 2020, partner shipments increased 15.4% over the same quarter in the previous year. During the same three month period, member shipment volumes were down 9.8%, as a result of continued reduced cross border shopping demand. In Q3 FY 2020, partner shipments represented 65.3% of the Company's total parcel volumes, up from 61.4% in the prior fiscal year.

During the nine months ended November 30, 2019 overall parcel volumes increased by 13.9% relative to the nine months ended November 30, 2018 in the prior year.

Below is a summary of PUDO's current parcel services being utilized by partners and customers:

- ***Failed First Attempts ("FFA") Parcels:*** During Q3 FY 2020 total FFA parcel volume increased by 9.0% over Q3 FY 2019. In sequential quarters, parcel volumes in Q3 FY 2020 compared to Q2 FY 2020 increased by 11.0%. These increases are directly related to increased utilization of the PUDO Network by the Company's various partners.
- ***Member Shipments:*** During Q3 FY 2020 total consumer parcel volume decreased by 9.8% relative to Q3 FY 2019. This decrease is related to continued decreased cross border shipping demand associated with the ongoing weakness of the Canadian dollar impacting Canadian consumers' desire for online ordering and shipping to a US KinekPoint location. In sequential quarters, consumer parcel volumes in Q3 FY 2020 compared to Q2 FY 2020 decreased by 7.4%. This compares to a consumer parcel decrease of 8.5% in the prior year in comparing Q3 to Q2 FY 2019.
- ***Courier Pickup Parcels:*** During Q3 FY 2020, PUDO continued to see growth within the courier pickup service with parcel volume increase of 30.0% compared to the prior three month period, Q2 FY 2020. This trend is expected to continue as PUDO partners extend this service to their customers in targeted locations. Although the volumes are relatively modest as compared to overall parcel volumes, these parcels are an important benefit for partner couriers to access the marketplace and other small office / home office business shipping demand.
- ***Returns Parcels:*** During Q3 FY 2020, PUDO's returns logistics service, from across Canada with a SaaS partner, accounted for 3.2% of partner shipments as compared to none in the prior fiscal year.

PUDO Inc.
Interim Management's Discussion & Analysis - Quarterly Highlights
Three and nine month periods ended November 30, 2019
Discussion dated: January 13, 2020

Adding the PUDOpoints to this retailer's return choices allowed new convenient options for consumers to drop off returns with minimal effort. The Network PUDOpoints are located close to where people live, work and play, streamlining the returns process.

- Other Parcels: During Q3 FY2020 PUDO began working with a current partner and started a pilot project with a potential new partner to provide 3PL services and consolidation. This parcel volume accounted for 1.7% of the partner shipments as compared to none in the prior fiscal year.

Operations

Q3 sees the beginning of the holiday peak shipping season. This year the Company expanded services and Network locations with many partners in preparation for the stretch from US thanksgiving through to Christmas. Enhanced KPI tracking assisted the Network Support and Growth teams' efforts to manage parcel volume and plan for growth. One of PUDO's partners took time in Q3 to reorganize efforts for parcels expansion with their new and existing customers. To manage the large growth potential, they are making changes to their systems including integrations with PUDO. Their new volume is expected to begin arriving in PUDO's Network late in Q4 or early in Q1. Planning efforts have expanded confidence in our partnerships, and we believe there remains a tremendous potential for greater expansion of the PUDO Network and parcel volumes.

The teams also spent considerable effort adding new pilot locations in select US markets for trial operations with a new customer. The process strengthened confidence in the interest of the Company's registered PUDOpoints to join the growing opportunity to revolutionize the options in last mile logistics. Work is also underway to add a new service in Canada in select markets outside of the biggest urban centres. The PUDO Network is uniquely positioned to activate this service quickly. Pilot operations commenced in Q4 with both services receiving more volume than was expected before Christmas. We are looking forward to additional refinement and expansion in 2020.

PUDO Inc.
Interim Management's Discussion & Analysis - Quarterly Highlights
Three and nine month periods ended November 30, 2019
Discussion dated: January 13, 2020

Financial Condition and Performance

Financial Performance

A summary of selected financial information for the three and nine month periods ended November 30, 2019 and 2018 are included below:

PUDO Inc.				
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss				
(Expressed in Canadian Dollars)				
(Unaudited)				
	Three Months Ended November 30		Nine months Ended November 30	
	2019	2018	2019	2018
Revenue	\$ 277,567	\$ 243,965	\$ 722,517	\$ 609,514
Cost of sales	(122,866)	(87,938)	(279,466)	(190,984)
Gross profit	154,701	156,027	443,051	418,530
Administrative expenses	(407,419)	(546,238)	(1,480,084)	(1,622,646)
Share-based (compensation)*	(149,418)	(317,838)	(456,996)	(1,381,371)
Operating loss	(402,136)	(708,049)	(1,494,029)	(2,585,487)
Finance costs	(38,763)	(5,311)	(129,449)	(15,157)
Net loss and comprehensive loss for the period	\$ (440,899)	\$ (713,360)	\$ (1,623,478)	\$ (2,600,644)
Loss per share basic and diluted	\$ (0.02)	\$ (0.04)	\$ (0.07)	\$ (0.13)

*non-cash IFRS expense related to the amortization of performance options for management and directors.

During the three month period ended November 30, 2019 revenues increased by 13.8% across the Network. The Company reported a net loss of \$440,899 (\$0.02 basic and diluted loss per share), a decrease from a net loss of \$713,360 (\$0.04 basic and diluted loss per share) in the corresponding quarter in the prior fiscal year. The majority of this decreased loss was attributable to reduced administrative expenses and a reduction in non-cash expenses related to share-based compensation, which is designed to maintain alignment between the objectives of Company leadership and shareholders.

The net loss for the nine months ended November 30, 2019 was \$1,623,478 (\$0.07 basic and diluted loss per share), a decrease from a net loss of \$2,600,644 (\$0.13 basic and diluted loss per share) in the corresponding quarter in the prior fiscal year, again primarily due to reduced administrative expense and a reduction in non-cash share-based compensation relative to the corresponding period of the prior fiscal year.

Revenue for the three month period ended November 30, 2019, was \$277,565 (November 30, 2019 - \$243,965) representing an increase of \$33,600 or 13.8% over the same period last year. Gross profit for the three month period ended November 30, 2019 was \$154,701 (November 30, 2018 - \$156,027) representing a decrease of \$1,326 over the same period last year.

PUDO Inc.
Interim Management's Discussion & Analysis - Quarterly Highlights
Three and nine month periods ended November 30, 2019
Discussion dated: January 13, 2020

Revenue for the nine months ended November 30, 2018 was \$722,517 (November 30, 2018 – \$609,514), representing an 18,5% increase over the same period last year. Gross profit for the nine months ended November 30, 2019 was \$443,051 (November 30, 2018 – \$418,530), representing a 5.9% increase over the same period last year.

The increases in revenue for both the three and nine month periods ended November 30, 2019 are attributable to increased parcel volumes from current and new partners and a shift in parcel volume by service offering. The growth in direct costs is also linked to this shift, as parcel volumes increased in revenue streams with higher direct costs and decreased in lower revenue streams without significant direct costs.

Administrative expenses for the three and nine month periods ended November 30, 2019 were \$407,419 and \$1,480,084 (November 30, 2018 - \$546,238 and \$1,622,646), respectively, representing a decrease relative to the corresponding periods in the prior fiscal year. These cost decreases relate primarily to the impact of the reduction of employees during the respective periods.

Non-cash share-based compensation for the three and nine month periods ended November 30, 2019 was recorded as \$149,418 and \$456,996 (November 30, 2018 - \$317,838 and \$1,381,371), respectively, representing a decrease relative to the corresponding periods in the prior fiscal year.

Financial Condition

As at November 30, 2019, the Company had total assets of \$456,631 (February 28, 2019 - \$480,633). This decrease was primarily attributed to the ongoing amortization of intangible assets, offset by an increase in current assets as a result of volume growth.

As at November 30, 2019, the Company had a working capital deficiency (defined as current assets less current liabilities) of \$1,017,090 (February 28, 2019 – \$815,134), had not yet achieved profitable operations, had used cash in operating activities of \$685,444 for the nine month period ended November 30, 2019 (November 30, 2018 - \$965,666), had a deficit of \$10,752,085 as at November 30, 2019 (February 28, 2019 - \$9,248,236) and had a shareholders' deficiency of \$891,108 (February 28, 2019 – \$657,000). 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. The Company is continuing to seek to fund its planned expansion of the PUDO Network through equity financings. See "*Liquidity and Capital Resources*" below.

Cash Flows

During the nine months ended November 30, 2019 cash increased by \$5,499 to \$56,138 (February 28, 2019 – \$50,639) resulting from \$685,444 cash used in operating activities and \$51,912 cash used in investing activities, offset by a total of \$750,882 cash provided by financing activities including the issuance of a note payable of \$591,000 provided by a company with a common officer and director, offset by repayment of advances payable and borrowings.

PUDO Inc.
Interim Management's Discussion & Analysis - Quarterly Highlights
Three and nine month periods ended November 30, 2019
Discussion dated: January 13, 2020

Liquidity and Capital Resources

As noted in the Annual MD&A and previous Quarterly Highlights, the Company generates limited cash from operations. The Company's primary source of cash to date has been from equity financings and more recently through convertible debentures and a promissory note. The Company's outstanding loans and borrowings as at November 30, 2019 consist of the following:

	November 30, 2019	February 28, 2019
Loan payable (Atlantic Canada Opportunities Agency)		
18 instalments repayable at \$4,458 per month	\$ 80,244	\$ 120,366
Less: Discount future contractual cash flows	8,791	18,750
	71,453	101,616
Less: Current portion	44,840	40,991
	\$ 25,613	\$ 60,625

During the nine month period ended November 30, 2019, the Company raised \$591,000 via a promissory note from a company with a common officer and director. This note carries an interest rate of 20% per annum, payable on demand. On November 7, 2019, \$425,000 of the promissory note was settled by the issuance of 944,445 Units of the Company. Each unit entitles the holder to receive one common share of the Company and one warrant with a strike price of \$0.54 and expiration date of November 7, 2020.

Opening balance – February 28, 2019	\$ -
Promissory note	591,000
Interest expense	52,390
Interest payment	-
Partial settlement of promissory note	(425,000)
Balance – November 30, 2019	\$ 218,390

PUDO Inc.
Interim Management's Discussion & Analysis - Quarterly Highlights
Three and nine month periods ended November 30, 2019
Discussion dated: January 13, 2020

As indicated in the Annual MD&A, the Company had convertible debentures with the following amounts owing as of February 28 and November 30, 2019.

Opening balance – February 28, 2018			-
Convertible debenture			468,376
Accretion expense			7,410
Interest expense			12,301
Interest payment			-
Balance – February 28, 2019			\$ 488,087
Convertible debentures			-
Accretion expense			10,525
Interest expense			15,825
Interest payment			-
Balance – November 30, 2019			\$ 514,437

Total balances of promissory note, convertible debentures, and advances as of November 30, 2019, consist of the following:

	November 30, 2019	February 28, 2019
Promissory note	\$ 218,390	\$ -
Convertible debentures	514,437	488,087
Advance from a director	50,000	
Balance	\$ 782,827	\$ 488,087

PUDO intends to raise equity capital to fund its planned expansion as well as increase its revenue at existing locations to eliminate operating losses. The Company has a history of successfully raising the capital needed to operate. However, the history of losses reflects material uncertainty which may cast significant doubt on the ability of the Company to continue to operate as a going concern.

The unaudited condensed interim consolidated financial statements for the three and nine month periods ended November 30, 2019 have been prepared with the assumption that the Company will continue operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the course of normal operations. They do not include any adjustments that may be required if it were not able to continue as a going concern. The Company's audited annual financial statements for the year ended February 28, 2019 contain an emphasis of matter paragraph in its audit opinion related to its ability to continue as a going concern. Management believes that actions currently being taken, which primarily involve increasing revenues, controlling expenses, and raising additional capital will allow the Company to achieve profitability and allow the Company to continue as a going concern.

Related Party Transactions

During the three and nine month periods ended November 30, 2019 and 2018, the Company incurred accounting fees and office rental, which is included in accounting and office expense, of \$29,850 and \$113,550 (November 30, 2018 - \$41,850 and 125,550), respectively, to a company with a common officer and director.

PUDO Inc.
Interim Management's Discussion & Analysis - Quarterly Highlights
Three and nine month periods ended November 30, 2019
Discussion dated: January 13, 2020

As at November 30, 2019 a promissory note in the amount of \$218,390 at an annual interest rate of 20% was issued to a company with a common director and officer of the Company.

During the three and nine month periods ended November 30, 2019 and 2018, the Company had the following transactions with shareholders, management and directors:

	Three Months Ended November 30		Nine months Ended November 30	
	2019	2018	2019	2018
Salaries and benefits	\$ 60,130	\$ 160,608	\$ 407,034	\$ 486,201
Consulting fees	9,903	9,850	29,820	29,386
	\$ 70,213	\$ 170,458	\$ 436,855	\$ 515,588

As at November 30, 2019, balances payable for these transactions with the related parties noted above amounted to \$89,122 (February 28, 2019 - \$243,436) and are included in trade and other payables. These balances are unsecured, non-interest bearing and are due on demand.

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

Subsequent events

On December 20, 2019, the Company closed a non-brokered private placement financing of \$104,955. The Company settled a total of \$72,000 in debt through the issuance to a company with a common director or officer of 124,138 units at \$0.58 per unit. The Company also issued 56,819 units for gross proceeds of \$32,955 at \$0.58 per unit. Each unit will entitle the holder to receive one common share and one warrant of the Company with an exercise price of \$0.69 per warrant with an expiration date of December 20, 2020.

On January 6, 2020, the Company closed a non-brokered private placement financing where the company issued 172,414 units at \$0.58 per unit for gross proceeds of \$100,000. Each unit will entitle the holder to receive one common share and one warrant of the Company with an exercise price of \$0.69 per warrant with an expiration date of January 6, 2021.

On January 9, 2020, the Company closed a non-brokered private placement financing where the company issued 633,044 units at \$0.58 per unit for gross proceeds of \$367,166. Each unit will entitle the holder to receive one common share and one warrant of the Company with an exercise price of \$0.69 per warrant with an expiration date of January 9, 2021.

Risk Factors

The Annual MD&A for the year ended February 28, 2019, dated June 19, 2019 and filed on SEDAR (www.sedar.com), sets out a brief summary of certain risk factors for which adverse occurrences may have a material impact on the Company's future financial performance. We draw our readers' attention to that disclosure of risk factors. No significant changes to those risk factors have occurred in the 2020 fiscal year and to the date of this report.