



PUDO INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED

FEBRUARY 28, 2017

(EXPRESSED IN CANADIAN DOLLARS)

Prepared by:

PUDO Inc.

**400 Brunel Road, Mississauga,
Ontario, Canada, L4Z 2C2**

Introduction

The following management's discussion and analysis ("MD&A") 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 year ended February 28, 2017. This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the audited financial statements of PUDO Inc. for the year ended February 28, 2017, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. Information contained herein is presented as of June 27, 2017, unless otherwise indicated. The Company's consolidated financial statements and the financial information contained in this MD&A are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC").

The Company's fiscal year end is February 28.

Further information about the Company and its operations is available at 400 Brunel Road, Mississauga, Ontario, Canada, L4Z 2C2.

Cautionary Note Regarding Forward-Looking Information

This MD&A contains 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 involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A are made only as of the date of this MD&A or as of the date specified in such statement. The following table outlines certain significant forward-looking statements contained in this MD&A and provides the material assumptions used to develop such forward-looking statements and material risk factors that could cause actual results to differ materially from the forward-looking statements.

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Forward-looking statements	Assumptions	Risk factors
The Company will be able to continue its business activities	The Company has anticipated all material costs and the operating activities of the Company, and such costs and activities will be consistent with the Company's current expectations; the Company will be able to obtain borrowings or equity funding when required	Unforeseen costs to the Company will arise; any particular operating cost increase or decrease from the date of the estimation; and capital markets not being favorable for funding and/or related parties discontinue funding the Company resulting in the Company not being able to obtain financing when required or on acceptable terms
The Company will be able to carry out anticipated business plans	The operating activities of the Company for the twelve months ending February 28, 2018, will be consistent with the Company's current expectations	Sufficient funds not being available; increases in costs; the Company may be unable to retain key personnel

Inherent in forward-looking statements are risks, uncertainties and other factors beyond the Company's ability to predict or control. Please also make reference to those risk factors referenced in the "Risk Factors" section below. Readers are cautioned that the above chart does not contain an exhaustive list of the factors or assumptions that may affect the forward-looking statements, and that the assumptions underlying such statements may prove to be incorrect. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. 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.

Overview

The audited consolidated financial statements for the year ended February 28, 2017 ("FY2017") 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 and do not include any adjustments that may be required if it were unable 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.

The Company has a history of operating losses; however those losses are primarily the result of expenditures related to building a robust infrastructure to serve as a platform for future growth.

PUDO is listed on the Canadian Securities Exchange under the symbol "PDO" and on the OTC QB market under the symbol "PDPF".

Description of Business

PUDO's registered office is situated at 400 Brunel Road, Mississauga, Ontario, Canada, L4Z 2C2. PUDO's principal activity is using technology to improve the connection between E-commerce and consumers. PUDO deploys their 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) and courier companies, consumers can take secure delivery of their parcels or drop-off returns where it's convenient, when it's convenient.

PUDO's technology links existing bricks and mortar business with retailers, 3PL's, and courier companies. Existing businesses, such as convenience stores or gas stations, provide services as PUDOpoints™ ("PUDOpoints"). PUDOpoints hold parcels for consumers to pick-up or returns that consumers have dropped off. PUDOpoints are typically open extended hours 7 days a week to make it convenient for busy consumers to easily pick up what they've ordered online, or drop off what they need to return.

PUDO's services provide courier companies and retailers with a presence in a broad variety of locations to better serve their customers. The services are not only convenient, but can also save money. Couriers don't have to attempt a second delivery, or make other arrangements with customers who miss delivery. Retailers can ship directly to PUDOpoints saving residential delivery costs, and the risk of theft. 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.

Overall Performance

Operations

The Company's PUDOpoint network, is the only national last mile delivery solution that is accessible to any courier.

How It Works:

Through affiliated retailers, consumers can choose to have their parcel sent directly to a PUDOpoint during the checkout process at no cost to them. Customers include people who live in apartments without parcel service, who aren't home during the day to sign for parcels, who are concerned about the security of un-attended parcels or who can't or don't want to use their home address.

Affiliated couriers can use PUDOpoints as a pick-up location for consumers who are not home to accept delivery. This service is also at no cost to consumers.

PUDO can help improve retailers return programs. Affiliated retailers can use PUDOpoints as a convenient place for their customers to drop off returns. Parcels are scanned in when they are dropped off so retailers can process refunds their customers. PUDO manages the return shipping, providing a significant savings from traditional shipping methods.

PUDO membership is free, and enables members to ship parcels directly to a PUDOpoint from any retailer. Where the retailer isn't affiliated with PUDO, members pay a small fee for the convenience of being able to pick-up their parcel.

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PUDO is not a courier; PUDO provides technology and locations where consumers can pick up or drop off parcels. PUDO is paid for each parcel handled and direct costs are linked to parcel volumes. This variable cost system ensures that costs fluctuate with normal seasonal shifts in retail sales volumes.

Highlights

PUDO Parcel Analysis

PUDO's parcel volume grew through the 2016 Holiday Season. Parcel volumes in November 2016 were up 30% over October 2016. In December 2016 parcel volume climbed another 10%. During our peak weeks in December, PUDO's network handled more than 19,000 parcels in a week.

Parcel volume in Q4, 2017 was 6% above the average quarterly parcel volume in FY2017 (year ended February 28, 2017). Comparing quarters in sequential years, Q4 FY2017 parcel volume was up 570% over Q4 FY2016.

For FY 2017 parcel volume grew 900% compared to FY 2016 (ended February 29, 2016). During FY2017, PUDO acquired certain assets and liabilities of Kinek (see below under heading "Acquisition"). Kinek's parcel volume contributed approximately 45% of PUDO's total parcel volume. Excluding the parcel growth contributed by Kinek services, PUDO's Canadian PUDO*point* network parcel volume grew by more than 450%. During the same time, the number of active PUDO*points* increased by 230%. This indicates the traction being gained in the Canadian marketplace by PUDO as the average volume per PUDO*point* more than doubled in FY2017 when compared to FY2016.

The majority of parcels handled by PUDO through FY2017 (ended February 28, 2017) were provided by courier customers. The remainder, were shipped for pick-up by members who chose an alternative to home delivery.

PUDO*point* Network

The PUDO*point* network will continue to expand to meet growing customer demand. PUDO's network expansion priorities are aligned with the needs and timelines of its customers. This method of expansion helps ensure that newly activated PUDO*points* quickly begin receiving shipments, maintain familiarity with equipment and procedures so as to provide the best customer experience.

PUDO continues to work with our existing courier customers to expand the Canadian PUDO*point* network in areas in Canada where they have additional demand for PUDO's services.

The pilot programs in several US cities continue, and several US courier partners are making investments in technology to take advantage of the benefits PUDO provides for themselves and their customers.

PUDO's network expansion will accelerate again as relationships with new customers are finalized, and new service offerings make it possible to bring on customers from additional market segments. Through these partnerships, PUDO will access information to set priority areas across Canada and the US to guide the next major stage of PUDO*point* expansion.

Financial

At February 28, 2017, the Company had assets of \$1,011,041 (February 29, 2016 - \$1,288,409) and a deficit of \$4,019,324 (February 29, 2016 - \$2,928,682). At February 28, 2017, the Company had liabilities of \$588,990 (February 29, 2016 - \$375,495). At February 28, 2017, the Company had working capital of \$157,495 (February 29, 2016 - working capital of \$786,969), had not yet achieved profitable operations and had used cash of \$665,613 (February 29, 2016 - \$1,159,979) in operating activities during the year ended February 28, 2017. The Company had cash of \$445,723 as at February 28, 2017 (February 29, 2016 - \$891,301). The Company

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had revenue of \$905,747 (February 29, 2016 - \$125,277), gross profit of \$612,577 (February 29, 2016 - \$68,340) and net loss of \$1,298,782 (February 29, 2016 - \$2,577,421).

Acquisition

On March 3, 2016, the Company acquired certain assets and assumed certain liabilities from 640624 N.B. Ltd. (o/a Kinek), a New Brunswick-based corporation. The Company issued 116,745 common shares to Kinek with a value of \$3.00 per share, based on the market share price on the date of issuance, for a total cost of \$350,235. The principal reason for this acquisition was to expand the network locations and acquire software. Kinek locations are primarily along the U.S.-Canadian border. Acquisition costs of \$8,000 arose as a result of the transaction. These have been recognised as part of administrative expenses in the consolidated statements of loss.

In accordance with IFRS 3, Business Combinations, the substance of the transaction constitutes a business combination as Kinek meets the definition of a business under the standard. The acquisition of the assets and liabilities of Kinek was accounted for as a business combination and, accordingly, the assets acquired and the liabilities assumed have been recorded at their respective estimated fair values as of the acquisition date. The purchase price allocation is based on the Company's management's best estimates. The carrying amounts of the acquired net assets were reviewed and tested as at February 28, 2017 to determine whether they were impaired. As the fair value of the net assets acquired was estimated to be less than its carrying amount, additional amortization of \$177,601 relating to the software acquired was taken and has been recognized in the consolidated statements of loss for the year ended February 28, 2017.

Details of the carrying amount and the fair value of identifiable assets and liabilities acquired and purchase consideration paid is as follows:

Consideration paid	
Common shares	\$ 350,235
Identifiable assets (liabilities) acquired	
Intangible assets – web based software	\$ 537,605
Loans and borrowings	(187,370)
Total identifiable net assets	\$ 350,235

The Company used an income-based approach to estimate fair value based on discounted future cash flows. The inputs in the assessment, including a weighted average cost of capital of 25%, expected inflation rate of 2%, and expected growth rate of 0%, are classified as Level 3 in the fair value hierarchy.

The acquisition of certain assets and liabilities of Kinek on March 3, 2016 resulted in an increase in revenues, cost of sales and gross margin in the amounts of \$295,288, \$10,746 and \$282,542, respectively, in the year ended February 28, 2017.

The following table reflects the revenue, gross profit and net loss for the year ended February 28, 2017:

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	Kinek Border Points	PUDOpoint Sites	Total
Revenue	\$ 295,288	\$ 610,459	\$ 905,747
Cost of sales	(10,746)	(282,424)	(293,170)
Gross profit	\$ 284,542	\$ 328,035	\$ 612,577
Administrative expenses	(448,447)	(1,369,499)	(1,817,946)
Share-based payment	(20,669)	(45,585)	(66,254)
Finance costs	(27,159)	-	(27,159)
Net loss	\$ (211,733)	\$ (1,087,049)	\$ (1,298,782)

The allocation of costs to the Kinek Border Points and the PUDOpoint Sites is based on management's best estimates. All revenue and cost of sales for the comparative periods ended February 29, 2016 related to PUDOpoint sites.

Trends

In 2016, the US department of commerce valued E-commerce industry sales at \$395 billion US dollars. This represents a year over year growth rate of 15.6%. E-commerce now represents more than 11% of the total retail marketplace for goods that can be bought online. E-commerce continues to drive growth in the retail sector, across the US.

This continued growth in the online marketplace supports growing momentum for the solutions PUDO is offering the marketplace. PUDO's cost savings opportunities resonate well with retailers and couriers struggling to maintain margin in the ultra-competitive omni-channel retail environment.

E-tailers and couriers are suffering from increasing occurrences of parcel thefts. In many areas across the US and Canada, parcels are being sought by "Porch Pirates" who target deliveries left unattended on doorsteps or porches.

Many apartments and condos across Canada and the US are finding that the increasing volumes of parcels being delivered exceed their available storage space. Residents of these locations are beginning to see their buildings restrict or ban the delivery of parcels. These consumers are in need of alternative delivery options to continue to access the convenience, selection and value of the E-commerce industry.

In addition to the trend of alternative not-at-home delivery service, management monitors economic conditions and estimates their impact on the Company's operations and incorporates these estimates in both short-term operating and longer-term strategic decisions. Apart from these and the risk factors noted under the heading "Risk Factors", management is not aware of any other trends, commitments, events or uncertainties that would have a material effect on the Company's business, financial condition or results of operations.

Selected Annual Financial Information

The following is selected financial data derived from the consolidated financial statements of the Company for the years ended February 28, 2017 and February 29, 2016:

	As at February 28, 2017 \$	As at February 29, 2016 \$
Net loss and comprehensive loss	(1,298,782)	(2,577,421)
Net loss per share (basic and diluted)	(0.08)	(0.23)

Year ended February 28, 2017, compared with the year ended February 29, 2016

The Company's net loss totaled \$1,298,782 for the year ended February 28, 2017, with basic and diluted loss per share of \$0.08. This compares with net loss of \$2,577,421 with basic and diluted loss per share of \$0.23 for the year ended February 29, 2016. The decrease of \$1,278,639 in net loss was principally because:

- The Company incurred RTO transaction costs of \$1,307,958 for the year ended February 29, 2016 and there were no such transaction costs in the year ended February 28, 2017.
- The Company incurred \$66,254 in share-based payments during the year ended February 28, 2017 in comparison with \$283,150 in share-based payments during the year ended February 29, 2016 for stock options.
- The Company had administrative expenses of \$1,817,946 during the year ended February 28, 2017 compared to \$1,040,096 during the year ended February 29, 2016. The increase is mainly due to the additional operating costs of the acquired entity (Kinek) as well as costs associated with integrating Kinek into PUDO.
- Gross profit of \$612,577 increased for the year ended February 28, 2017 compared to \$68,340 for the year ended February 29, 2016. The gross profit is composed of \$905,747 (February 29, 2016 - \$125,277) in revenue offset by cost of sales of \$293,170 (February 29, 2016 - \$56,937) for the year ended February 28, 2017.

The consolidated statement of financial position as at February 28, 2017 and February 29, 2016 and February 28, 2015 consists of the following:

	As at February 28, 2017 \$	As at February 29, 2016 \$	As at February 28, 2015 \$
Current assets	609,555	1,162,464	339,953
Long-term assets	401,486	125,945	21,100
Total assets	1,011,041	1,288,409	361,053
Current liabilities	452,060	375,495	695,646
Long-term liabilities	136,930	-	-
Total liabilities	588,990	375,495	695,646
Capital stock	3,971,811	3,366,283	16,668
Broker warrants	136,137	197,805	-
Stock options	333,427	277,508	-
Deficit			(351,261)

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Shareholders' equity	(4,019,324)	(2,928,682)	(334,593)
Total liabilities and shareholders' equity	422,051	912,914	361,053
	1,011,041	1,288,409	

- (i) As the Company has recently started operations, its ability to fund its operations is dependent upon securing additional borrowings or increasing gross profit from increased revenues. See "Trends" and "Risk Factors".
- (ii) The reason for the increase in long term assets is because PUDO has been investing in software and computer equipment to streamline operations between the customers and the dealers.
- (iii) PUDO assumed the loans and borrowings of Kinek when the company purchased certain assets and liabilities of Kinek.

Selected Quarterly Information

The following is selected financial data derived from the quarterly consolidated financial statements of the Company for the years ended February 28, 2017 and February 29, 2016:

Three Months Ended	Total Revenue (\$)	Profit or (Loss)		Gross Profit (\$)	Admin Expenses (\$)	Share Based Payment (\$)	RTO Costs (\$)	Finance Costs (\$)
		Total (\$)	Per Share (Basic & Diluted) (\$)					
2017-Feb. 28	244,042	(380,180)	(0.02)	165,644	(508,370)	(31,004)	-	(6,450)
2016-Nov. 30	282,882	(212,309)	(0.01)	184,727	(390,333)	-	-	(6,703)
2016-Aug. 31	233,891	(326,482)	(0.02)	157,011	(466,287)	(10,200)	-	(7,006)
2016-May 31	144,932	(379,811)	(0.02)	105,195	(452,956)	(25,050)	-	(7,000)
2016-Feb. 29	53,164	(484,054)	(0.03)	28,721	(387,571)	(125,168)	-	(35)
2015-Nov. 30	30,004	(357,296)	(0.02)	16,218	(373,510)	-	-	(4)
2015-Aug. 31	22,487	(1,617,682)	(0.17)	13,588	(160,318)	(157,982)	(1,307,958)	(5,012)
2015-May 31	19,622	(118,389)	(0.04)	9,813	(118,696)	-	-	(9,506)

Overall Objectives

PUDO is committed to improving the connection between E-commerce and consumers. Through the deployment of PUDO's technology across a growing PUDOp^oint network, PUDO is making it cost effective and convenient to take secure delivery of parcels when consumers cannot meet the delivery.

The technology that links the PUDOp^oint network with E-commerce companies and couriers enables the PUDOp^oint network to offer an assortment of other services designed to increase convenience and provide new cost-effective options. Among those additional service offerings, PUDOp^oints can accept returns from consumers and ship them back to the retailer cost effectively. (See "Risk Factors".)

Off-Balance-Sheet Arrangements

The Company does not have any off-balance-sheet arrangements that have, or are reasonably likely to have, a current or future effect on its results of operations or financial condition, including, without limitation, such considerations as liquidity, capital expenditures and capital resources that would be considered material to investors.

Outlook

The team at PUDO continues to focus on two primary tasks; developing relationships with new customers in Canada, the US and abroad that can diversify PUDO's customer base; and the registration of additional PUDO*points* across Canada and the US to ensure that PUDO has a comprehensive network of quality locations available to serve PUDO's customers.

This pool of registered PUDO*points* is a major advantage, allowing PUDO to quickly grow its network of locations where PUDO's customers need to better access their customers. PUDO's technology makes it possible for any courier to deliver to a PUDO*point*. This opportunity is unique to PUDO, putting retailers and consumers in control of their shipments. No longer will a retailer have to remain with a more expensive courier to maintain consistent customer experience.

As PUDO prepares to further expand its network, it's doing so with the benefit of experience. Through the expansion of the PUDO*point* network across Canada, processes have been improved. The next stage of major expansion will allow the Company to open PUDO*points* where multiple customers need them, increasing volume for PUDO*point* operators, and making efficient use of PUDO's resources.

Market conditions continue to improve for PUDO's suite of services. PUDO's solutions offer relief to couriers faced with growth in residential deliveries and a corresponding increase in first attempt failed deliveries. PUDO is developing a returns program, which makes it possible for retailers to provide convenient cost effective return options to retain and attract new customers. PUDO and Kinek's free membership makes it easy and convenient to order online when you need an alternative shipping address.

The Company has a history of operating losses and negative cash flow from operations, which cast doubt on the Company's ability to continue to operate as a going concern. However, the Company has cash of approximately \$450,000, working capital of approximately \$160,000 and shareholders' equity of approximately \$425,000 as at February 28, 2017. The losses were primarily the result of expenditures related to building a robust infrastructure to serve as a platform for, and to support, future growth initiatives. The Company has a history of raising the required capital to fund its operations and expects to continue to be able to raise capital to fund operations and accelerate expansion. Until such time as it completes a major fundraising, management expects that it can increase revenues, control expenditures, and obtain short term funding, when necessary to continue operations.

However, there is no assurance that the Company will be able to raise the necessary funds, or increase revenues as planned. If the Company is unable to secure the necessary funds, it could have substantial impact on the Company's ability to continue operations at its present level.

Share Capital

As of the date of this MD&A, June 27, 2017, the Company has (i) 16,681,748 common shares outstanding; (ii) 211,234 warrants exercisable for the purchase of 211,234 common shares and (iii) 1,279,000 stock options exercisable for the purchase of 1,429,000 common shares.

Liquidity and Financial Position

As noted in "Selected Financial Information", the Company generates limited cash from operations. The Company's primary source of funding has been through the issuance of equity. Additional equity will be required for the Company to be able to successfully execute on its business plan.

PUDO intends to raise equity capital to fund its planned expansion, as well as increase its revenue at existing locations in order to eliminate operating losses. The Company has a history of successfully raising the capital required to operate and believes that it can continue to raise necessary capital. However, the history of losses casts doubt on the ability of the company to continue to operate as a going concern. While management expects to be able to raise the necessary capital, there is no assurance that any capital raise will be successfully completed at terms acceptable to the Company. Failure to raise sufficient capital may impact the Company's ability to expand as rapidly as planned, or even continue operations at the present level.

The Company's outstanding loans and borrowings consist of the following:

Details	February 28, 2017 \$	February 29, 2016 \$
Advances payable to a shareholder	15,025	15,025
Loans and borrowings ⁽¹⁾	167,353	-
Total	182,378	15,025

Note: (1) Loans and borrowings assumed as part of assumption of assets and liabilities of Kinek.

The acquired loans and borrowings assumed as part of the purchase of Kinek are repayable to Atlantic Canada Opportunities Agency. The loans are unsecured and non-interest bearing and repayable in 51 instalments of \$4,458 per month. The present value of non-current portion of loans and borrowings was estimated using the effective interest rate method by discounting the future contractual cash flows at the current market interest rates for an equivalent instrument. The discount rate applied was 15%. The Company recorded accretion expense of \$27,159 (February 29, 2016 - \$nil) during the year ended February 28, 2017. The rate used in determining the appropriate present value of the borrowings was subject to management estimation.

	As at 2017-Feb. 28 (\$)	As at 2016-Feb 29 (\$)	
Total Assets	1,011,041	1,288,409	
Cash & Cash Equivalents	470,723	916,301	<i>includes restricted cash of \$25,000</i>
Working Capital	157,495	786,969	<i>includes non-cash working capital</i>
Cash Flows used in Operating Activities (including non-cash)	665,613	1,159,979	<i>decrease attributable to increase in accounts payable and accrued liabilities and a decrease in trade and other receivables for FY2017</i>
Investing Activities, cash outflows	(131,273)	(163,578)	<i>2017 outflows include purchase of equipment and capitalization of</i>

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			<i>intangible assets directly related to software development.</i>
Financing Activities	351,308	1,895,233	<i>net proceeds of private placement of common shares, offset against repayment of advances payable and borrowings</i>

As at February 28, 2017, the Company's contractual obligations are primarily for services. The Company has entered into various agreements for services, which if terminated by the Company would require payments of up to \$165,000 (February 29, 2016 - \$165,500). As the triggering events have not occurred, these amounts have not been accrued in the consolidated financial statements as at February 28, 2017.

Significant accounting policies

(a) New standards not yet adopted and interpretations issued but not yet effective

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods beginning on or after March 1, 2017 or later periods. Many are not applicable or do not have a significant impact to the Company and therefore have been excluded. The following standards have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRS 9 – *Financial Instruments* ("IFRS 9") was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual years beginning on or after January 1, 2018. Earlier adoption is permitted.

IFRS 2 – *Share-based Payments* ("IFRS 2") was amended by the IASB in June 2016 to clarify the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The amendments are effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

IAS 7 – *Statement of Cash Flows* ("IAS 7") was amended in January 2016 to clarify that disclosures shall be provided that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments are effective for annual periods beginning on or after January 1, 2017.

IAS 12 – *Income Taxes* ("IAS 12") was amended in January 2016 to clarify that, among other things, unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary differences regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use; the carrying amount of an asset does not limit the estimation of probable future taxable profits; and estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences. The amendments are effective for annual periods beginning on or after January 1, 2017.

IFRIC 22 – *Foreign Currency Transactions and Advance Consideration* (“IFRIC 22”) was issued in December 2016 and addresses foreign currency transactions or parts of transactions where there is consideration that is denominated in a foreign currency; a prepaid asset or deferred income liability is recognised in respect of that consideration, in advance of the recognition of the related asset, expense or income; and the prepaid asset or deferred income liability is non-monetary. The interpretation committee concluded that the date of the transaction, for purposes of determining the exchange rate, is the date of initial recognition of the non-monetary prepaid asset or deferred income liability. IFRIC 22 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

IFRS 15 - *Revenue From Contracts With Customers* (“IFRS 15”) proposes to replace IAS 18 - Revenue, IAS 11 - Construction Contracts, and some revenue-related interpretations. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual years beginning on or after January 1, 2017.

(b) Changes in accounting standards

The Company has adopted the following amendment effective March 1, 2016.

IAS 24 *Related Party Disclosures* (“IAS 24”) was amended to clarify that an entity providing key management services to the reporting entity or the parent of the reporting entity is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity.

IAS 38 *Intangible Assets* (“IAS 38”) and IAS 16, *Property, Plant and Equipment* (“IAS 16”) were amended in May 2014 to introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. The amendment is effective for annual years beginning on or after January 1, 2016.

There was no material impact on the adoption of this amendment on the consolidated financial statements.

(c) Foreign currencies

The functional currency of the Company and its subsidiaries is the Canadian dollar. 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.

(d) Revenue recognition

The Company recognizes revenue when the delivery of customer packages is complete and collectability is reasonably assured. Where the Company is the principal to the delivery transaction, revenue is recognized on a gross basis. Where the Company is an agent to the delivery transaction, revenue is recognized on a net basis.

(e) 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. During the year ended February 28, 2017, based on a review of actual results, the Company revised its estimated useful life of computer tablets from 3 years to 2 years. Previously, scanners were depreciated using the declining balance method at 20%. Amortization on scanners was revised to the straight-line method over 2 years. As a result, the impact on amortization expense for the year ended February 28, 2017 was an increase of \$40,214.

(f) Intangible assets

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

(g) 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 the end of 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 statement of loss and comprehensive loss.

(h) Financial instruments

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

Financial assets

Financial assets are initially recorded at fair value and designated upon inception into one of the following categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss ("FVTPL"). Loans and receivables are recognized on the date of origination. All other financial assets are recognized on the trade date at which the Company becomes party to the contractual provisions of the instrument.

Cash, trade and other amounts receivable are classified as loans and receivables and are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less provision for impairment. 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 provision is recorded in profit or loss.

The restricted short-term investment is classified at FVTPL. Subsequent to initial recognition, financial assets classified as FVTPL are measured at fair value with changes recognized in the statement of loss. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership to another entity.

Identification and measurement of impairment of financial assets

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 account 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.

Financial liabilities

Financial liabilities are initially recorded at fair value and designated upon inception as fair value through profit or loss or other financial liabilities. Trade and other payables, advances payable, 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, loans and borrowings are classified as other financial liabilities and 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).

As of February 28, 2017 and February 29, 2016, the Company's restricted short-term investment was measured using Level 2 of the fair value hierarchy.

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.

(i) Share-based compensation

Equity-settled share-based payments 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 share-based payment note.

Fair value is measured at grant date and each tranche is recognized on a graded-vesting basis over the period in which 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 payment 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 options and warrants reserves is recorded to share capital with proceeds received. For those options and warrants that expire after vesting, the recorded value is transferred from stock options and warrants reserves to deficit.

(j) 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.

(k) Income taxes

Income tax expense comprises current and deferred tax. 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.

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.

(l) 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. As the stock options and warrants would be anti-dilutive, they have been excluded from the diluted loss per share calculations for the years ended February 28, 2017 and February 29, 2016.

(m) Short-term investments

Short-term investments are comprised of guaranteed investment certificates with original maturities of greater than three months and less than one year. As at February 28, 2017 and February 29, 2016, the 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 card.

Related Party Transactions

During the years ended February 28, 2017 and February 29, 2016, the Company had the following transactions with shareholders and companies under common control and management and directors:

- incurred bookkeeping fees, included in professional fees of \$72,000 (2016 - \$74,500) to Cardinal Couriers Ltd., a company with common officers and directors;
- incurred interest expense of \$nil (2016 - \$1,059) payable to Courier Cardinal Ltée;
- incurred consulting fees of \$nil (2016 - \$31,500) to Courier Depot Network Inc., a significant shareholder of the Company;
- incurred share-based payment of \$66,254 (2016 - \$283,150) in relation to stock options granted to an officer, directors and employees of the Company (note 17); and
- paid salary and consulting fees to Francesco Coccia, Chief Executive Officer of the Corporation in the amount of \$144,000 (2016 - \$150,208) and to Douglas P. Baker, Chief Financial Officer of the Corporation in the amount of \$39,498 (2016 - \$19,483) and to Matthew McDonough, Vice-President of the Corporation in the amount of \$118,214 (2016 - \$33,835).

As at February 28, 2017, balances payable to the related parties noted above amounted to \$135,806 (February 29, 2016 - \$89,671) included in trade and other payables.

Major shareholders:

As at February 28, 2017, no person or corporation beneficially owns or exercises control or direction over common shares of the Company carrying more than 10% of the voting rights attached to all of the common shares of the Company other than Palm Holding Inc. which owns or controls, directly or indirectly, 45% of the issued and outstanding shares of the Company. These shareholdings can change at any time at the discretion of the owner.

None of the Company's major shareholders have different voting rights from other holders of the Company's common shares.

The Company is not currently aware of any arrangements, the operation of which may at a subsequent date result in a change in control of the Company.

Financial Risk Management

This note represents 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.

(a) Fair values

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

(b) Financial risk factors

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

The Board of Directors has the overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

(i) Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet commitments it has entered into with the Company. The financial assets that potentially expose the Company to credit risk consist principally of cash or other receivables. The extent of the Company's exposure to credit risk approximate their carrying values are recorded in the Company's consolidated statement of financial position.

During the year ended February 28, 2017, one customer represented \$583,497 of revenue (2016 - one customer represented \$116,956 of revenue). Accounts receivable from one customer represents approximately \$67,364 of trade and other receivables as of February 28, 2017 (2016 - \$33,391 from one customer). This one customer is comprised of three different businesses operated independently under common control.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position. The maximum exposure to credit risk at the reporting date was:

	February 28, 2017	February 29, 2016
	\$	\$
Trade and other receivables	117,736	154,688
Cash at bank	445,723	891,301
Short-term investment	25,000	25,000
Total	588,459	1,070,989

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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.

The following are the contractual maturities of financial liabilities:

	February 28, 2017 < 1 year \$	February 29, 2016 < 1 year \$
Trade and other payables	406,612	360,470
Advances payable	15,025	15,025
Total	421,637	375,495
Loans and borrowings – 12 monthly instalments of \$4,458 < 1 year	53,496	-
Loans and borrowings – 39 monthly instalments of \$4,458 > 1 year	173,862	-

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

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:

	February 28, 2017	February 29, 2016
Canada	\$ 610,458	\$ 125,277
United States of America	295,289	-
	\$ 905,747	
\$ 125,277		

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 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. The Company also entered into investment loan agreements which were denominated in US dollars which had exposed the Company to foreign currency risk due to fluctuations in the exchange rate. As at February 28, 2017, the

Company had cash of US\$220,357 (\$288,690) (February 29, 2016 – US\$143,896 (\$194,590)) and accounts receivable of US\$30,558 (\$40,034) (February 29, 2016- US\$102 (\$139)).

Interest rate risk

The Company's exposure to risks of changes in market interest rates relates primarily to its cash balances. The Company 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.

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 equity. The Company is not subject to any externally imposed capital requirements.

The Company's capital management objectives, policies and processes have remained unchanged for the year ended February 28, 2017, relative to previous periods.

Risk Factors

Financing

The Company will need additional financing to fund the growth of its business, but has no assurance that such funding will be available to it. The Company is currently in the process of arranging additional funding and the ability of the Company to arrange this additional financing depends, in part, on the prevailing capital market conditions as well as the business performance of the Company. Failure to obtain sufficient financing may result in delaying or the indefinite postponement of the growth strategy into the US market.

There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favorable to the Company.

If the Company raises additional funds through the sale of equity securities, shareholders may have their investments diluted.

Financial Risk Factors and Credit Facilities

See above under heading "Financial Risk Management" – (b) Financial Risk Factors

Currently, none of the loans extended to the Company contain financial covenants related to the Company's financial position and earnings.

Economic Downturns

The Company cannot be certain that economic or political conditions will generally be favorable or that there will not be significant fluctuations that adversely affect the economy as a whole or the key markets that the Company targets.

Changes in the Regulatory Environment

The Company's results of operations can be affected significantly by changes in the regulatory environment.

Dependence on Key Personnel

The success of the Company depends on its senior management team, and other key employees, including their ability to retain and attract skilled employees. The loss of the services of key personnel could have a material adverse effect on the business, financial condition, results of operations or future prospects. The Company may not be able to attract and retain additional qualified management, and employees as needed in the future. There can be no assurance that the Company will be able to effectively manage its growth, and any failure to do so could have a material adverse effect on the Company's business, financial condition, results of operations, and future prospects.

Investment risk

From time to time, the Company may divest of a business that is not meeting performance expectations. This may result in losses from the disposal or wind-up of that business operation.

The Company purchases goods and services in Canadian dollars and US dollars. Since the Company reports its results in Canadian dollars, it is exposed to changes in the value of the US dollar relative to that of the Canadian dollar.

History of Operating Losses

The Company has a history of operating losses and while we have a plan to reach profitability, there is no assurance that we can achieve that plan. Our plan may be affected by other risk factors discussed in this section and will require us to raise additional capital to achieve this plan. This history of losses casts doubt on our ability to continue operating as a going concern. While management expects to be able to raise the necessary capital, there is no assurance that such capital can be raised on terms acceptable to the Company.

Potential Future Developments

Management of the Company, in the ordinary course of business, regularly explores potential strategic opportunities and transactions. The public announcement of any of these or similar strategic opportunities or transactions might have a significant effect on the price of the Company's securities. The Company's policy is not to publicly disclose information concerning potential strategic opportunities or transactions unless and until a definitive binding agreement is reached or the respective Boards are confident that the transaction will be completed, in accordance with applicable securities regulations. There can be no assurance that investors who buy or sell securities of the Company are doing so at a time when the Company is not pursuing a particular strategic opportunity or transaction which, when announced, would have a significant effect on the price of the Company's securities.

Disclosure of Internal Controls

Management has established processes to provide them with sufficient knowledge to support representations that they have exercised reasonable diligence to ensure that (i) the condensed interim consolidated financial statements do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the consolidated financial statements, and (ii) the

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consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flow of the Company, as of the date of and for the periods presented.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. In particular, the certifying officers filing such certificate are not making any representations relating to the establishment and maintenance of:

- (i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- (ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with the Company's GAAP (IFRS).

The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in the certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Additional Disclosure for Venture Corporations

The expenses categorized by nature, incurred by the Company for the years ended February 28, 2017 and February 29, 2016 are as follows:

Cost of sales	February 28, 2017	February 29, 2016
External processing charges	\$ 282,524	\$ 56,937
Computer and web access charges	10,646	-
Total cost of sales	\$ 293,170	\$ 56,937

Administrative expenses	February 28, 2017	February 29, 2016
Salaries and benefits	\$ 416,393	\$ 188,949
General and administrative expenses	170,731	96,168
Advertising and promotion	38,642	74,768
Travel and business development	87,094	75,466
Consulting fees	239,339	133,466
Professional fees	161,972	140,224
Sales and services	102,247	28,820
Investor relations	94,735	147,962
Accounting and office	72,000	74,500
Agent and filing fees	46,094	42,777
Foreign exchange loss	7,916	15,224

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Amortization expense	368,222	21,772
Loss on disposal of equipment	12,561	-
Total cost incurred	\$ 1,817,946	\$ 1,040,096