



INTERIM MANAGEMENT'S DISCUSSION & ANALYSIS

QUARTERLY HIGHLIGHTS

FOR THE THREE AND NINE MONTH PERIODS ENDED NOVEMBER 30, 2017

(EXPRESSED IN CANADIAN DOLLARS)

Prepared by:

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Introduction

This interim management's discussion and analysis – quarterly highlights (the “Quarterly Highlights”) of the financial condition and results of operations of PUDO Inc. (“PUDO” or the “Company”) constitutes management's review of the financial position and results of operations of PUDO for the three and nine month periods ended November 30, 2017, 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. The discussion should be read in conjunction with the unaudited condensed interim consolidated financial statements of the Company for the three and nine month periods ended November 30, 2017, the audited annual consolidated financial statements of the Company for the years ended February 28, 2017 and 2016, together with the notes thereto, and the management's discussion and analysis (“Annual MD&A”) of the Company for the year ended February 28, 2017. All dollar amounts are expressed in Canadian dollars unless otherwise noted.

The Company's unaudited condensed interim consolidated financial statements and financial information contained in these Quarterly Highlights 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 on SEDAR under the Company's issuer profile at www.sedar.com and on the company's website, www.pudopoint.com.

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”). 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 their 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 February 28, 2017. 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.

Description of Business

PUDO was incorporated on Feb. 28, 2015 and is listed on the Canadian Securities Exchange under the symbol “PDO” and on the OTC QB exchange under the symbol “PDPTF”.

The Company’s technology links existing bricks and mortar businesses with retailers, third party logistics companies (3PL’s), courier companies and consumers. PUDO*points* hold parcels for consumers to pick-up or returns that consumers have dropped off. PUDO’s services provide companies with a presence in a variety of locations to better serve their customers.

Highlights

The third quarter of the year was focused on optimizing the Canadian network, preparing for expansion in the United States of America, and working on proprietary software improvements to reduce the cost of expansion and to provide for increased revenue from additional service offerings. In preparation for growth, PUDO announced, during this quarter, changes to the leadership team to broaden management expertise and experience and permit concerted efforts at targeted growth and expansion. As part of this transition, the board implemented a performance based option plan with a five (5) year horizon designed to align management’s and shareholders’ objectives.

There is considerable lead time to integrate with e-commerce companies. Each fall, many companies enter a “code freeze” period where a moratorium is put on website or software integration updates. Our sales team has been focused on working with retailers and logistics companies so that when the code freeze concludes, at the end of the holiday shopping season, we are in the position to complete integrations as quickly as possible. Among the targets for the PUDO team, is to complete integrations in check-outs to enable consumers to choose a PUDO*point* during the checkout process. At the same time, PUDO has identified a marketable opportunity and has been developing a returns system in response to a number of retailers expressing interest in innovative and convenient product return solutions in online commerce.

The management team changes included:

- Frank Coccia, founder of PUDO, taking on the role of Chief Strategy Officer. This allows Frank to focus on his experience in the industry and cultivate new partnerships to grow and diversify the business.
- Kurtis Arnold assumed the position of Chief Executive Officer while retaining his position as a director on the board of the Company.

- Matt McDonough has transitioned from his role in Network Development to Chief Operating Officer of the Company, overseeing the team as we focus on strategic expansion and integration of additional customers and revenue streams.
- John Clarke joined the team as Vice President of Sales and Marketing. John's extensive background in the Canadian technology and retail sectors strengthens the Company's ability to articulate its message and align our capabilities with the needs of the marketplace.

As part of the compensation package, in a growth focused company, the board of directors approved the issuance of 2,690,000 stock options with an exercise price of \$1.30 per option with each option convertible to one common share. Of the total number of stock options issued, 225,000 stock options were issued to the directors of the Company with one-third (33.3%) vesting on each of February 28, 2019, February 28, 2020 and February 28, 2021, respectively, and will expire on October 26, 2022. The remaining balance of 2,465,000 options were issued to the management team of the Company with one-quarter (25%) of the stock options vesting on each of February 28, 2018, February 28, 2019, February 28, 2020 and February 28, 2021, respectively, and will expire on October 26, 2022. To incentivize management to grow the business and generate value for shareholders, the option plan includes criteria to ensure that stock options are awarded based on performance.

During this quarter, the Company retained the professional services of Adtron Inc. ("Stockpalooza") to assist in its marketing and outreach initiatives. Stockpalooza has extensive experience working with companies that trade on the OTC. The agreement with Stockpalooza is complementary to PUDO's plan to begin expansion in the US market and is an important milestone on the path towards increasing PUDO's visibility in the market, at a time when the E-commerce marketplace is rapidly expanding and evolving.

PUDO has completed the required notice and filings this quarter to appoint Grant Thornton LLP as the Company's auditors.

Operations

PUDOpoint Network

The Company is focused on increasing parcel volumes and has been working closely with customers to expand the PUDOpoint network. New locations have been opened where customers have indicated a need for PUDO's services. This has been partially offset by locations that have had operations suspended due to a current lack of demand for services in their immediate area. These and other locations may be activated when required as PUDO attracts new customers, and sees growth in demand and locations for its suite of services.

Parcel Volume Analysis

In the summer of 2016, Canada Post was busy working through labour negotiations that caused concern about potential service disruptions. As a result, PUDO's partners picked up a significant amount of parcel volume, and PUDO saw a significant spike in parcels dropped into the network during the second and third fiscal quarter, 2017. In the absence of this catalyst during the third

quarter, PUDO still managed to see Q3 - FY2018 parcel volumes being 75% of what they were in Q3 - FY2017. Looking more broadly, parcel volumes for the nine month period ended November 30, 2017 were 83% of volumes for the nine months ended November 30, 2016.

Financial Condition and Performance

Financial Condition

As of November 30, 2017, the Company had current assets of \$878,466 (\$609,555 as at February 28, 2017). This increase in the nine months ended November 30, 2017 is attributed primarily to the additional equity raised in August 2017, partially offset by the excess of expenses over revenues.

As of November 30, 2017, the Company had working capital (defined as current assets less current liabilities) of \$569,631, up from \$157,495 as at February 28, 2017. The Company plans to fund its planned expansion of the PUDO network through equity financings. See “*Liquidity*” below.

Financial Performance

During the three months ended November 30, 2017, the Company reported a net loss of \$364,917 (\$0.02 basic and diluted loss per share) on revenue of \$180,157 and a gross profit of \$130,982. This compared to a net loss of \$212,309 (\$0.01 basic and diluted loss per share) in the corresponding quarter in the prior fiscal year. The variance is attributed to higher expansion and sales costs this year (FY2018) associated with network growth, pursuing revenue opportunities with new customers, and enhancing the functionality of our proprietary software technology.

Revenue for the nine month period ended November 30, 2017 was \$522,579 (nine months ended November 30, 2016 – \$661,706). The first nine months of last year (FY2017) held the threat of a postal labour disruption. This catalyst provided market opportunities for PUDO’s primary customers, and was a catalyst for sharp revenue growth. Without these market forces this year (FY2018) revenue reached 79% of last year.

Administrative expenses for the three month period ended November 30, 2017 were \$496,609 (\$390,333 – November 30, 2016), representing incremental investments to grow the business and expand the network. Administrative expenses for the nine month period ended November 30, 2017 were \$1,355,321 (\$1,309,573 – November 30, 2016). This increase is primarily the result of additional resources being added to the management team of the Company.

Cash Flows

In the nine month period ended November 30, 2017, cash increased by \$236,904. This increase was primarily a result of net cash inflows from an equity financing in the second quarter, offset with net outflows from increased costs associated with operations, network expansion, and IT expenses.

Liquidity and Capital Resources

PUDO intends to generate the capital necessary to fund the planned expansion through revenue from operations and equity financing activities. As noted in the Annual MD&A, the Company generates limited cash from operations. The Company's primary source of cash to date has been from equity financings. The Company's outstanding loans and borrowings as at November 30, 2017, consist of the following:

	November 30, 2017
Loan payable (Atlantic Canada Opportunities Agency) 42 instalments repayable at \$4,458 per month	\$ 187,236
Less: Discount future contractual cash flows	42,270
	<hr/>
	144,966
Less: Current portion	34,022
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	\$ 110,944

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 and believes it can continue to raise any necessary capital. However, the history of losses may cast 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, 2017 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 operations. They do not include any adjustments that may be required if it were not able to continue as a going concern, which could be material. The Company's financial statements for the year ended February 28, 2017, 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. The Company has a history of successfully raising the capital needed to operate the business.

Related Party Transactions

During the three and nine month periods ended November 30, 2017 and November 30, 2016, the Company had the following transactions with shareholders and companies under common control and management and directors:

- incurred bookkeeping fees and office rent of \$23,850 and \$71,550, respectively, (three and nine months ended November 30, 2016 - \$18,000 and \$54,000) to a company with a common director.

- incurred share-based payments (recovery) of (\$6,341) and \$88,602, respectively, (three and nine months ended November 30, 2016 \$nil and \$35,250) in relation to stock options granted to officers and directors of the Company.
- paid salary and consulting fees to officers, in the amount of \$162,000 and \$360,000, respectively, (three and nine months ended November 30, 2016 - \$77,000 and \$222,000).

As at November 30, 2017, balances payable to the related parties and shareholders noted above amounted to \$23,052 (February 28, 2017 - \$135,806) and is included in trade and other payables. These balances are unsecured, non-interest bearing and due on demand.

Risk Factors

The Annual MD&A for the year ended February 28, 2017, filed on SEDAR, 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 third fiscal quarter of the 2018 fiscal year and to the date of this report.