PUDO INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED

FEBRUARY 28, 2018

(EXPRESSED IN CANADIAN DOLLARS)

Prepared by:

PUDO Inc.

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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, 2018. 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, 2018, 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 May 17, 2018, 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 is 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.

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.

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, 2019, 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, 2018 ("FY 2018") 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 in attracting customers, business partners and costs related to building a robust infrastructure to serve as a platform for future growth.

PUDO was incorporated on February 28, 2015 and 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 6600 Goreway Drive Unit D, Mississauga, Ontario, Canada, L4V 1S6. 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 businesses with retailers, 3PLs, and courier companies. Existing businesses, such as convenience stores or gas stations, provide services as PUDO Points™ ("PUDO Points"). PUDO Points hold parcels for consumers to pick-up or returns that consumers have dropped off. PUDO Points are typically open extended hours seven 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 or third delivery, or make other arrangements with customers who miss delivery. Retailers can ship directly to PUDO Points 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 PUDO Point for processing back to the retailer.

Overall Performance

Operations

The Company's PUDO Point network is the only courier-neutral alternative delivery solution in Canada and the United States; that is, any courier or delivery service can deliver parcels to, and pick-up returns from, any PUDO Point. PUDO partners with existing convenience and community-based stores with proven consumer traffic, to create a matrix of PUDO flag-bearing service counters from coast-to-coast. PUDO's technology links these existing bricks-and-mortar locations to other stakeholders in the E-commerce supply chain (couriers, retailers, fulfillment centers, consumers) to create a network of convenient parcel pick-up and return points located near to where consumers live, work, study, and play. A full-realized PUDO network would ensure that consumers never miss a delivery and enjoy hassle-free returns, at their convenience.

PUDO is not a courier company. PUDO is a disruptive E-commerce parcel traffic control technology, designed to facilitate the explosive growth in E-commerce, by performing millions of logistical edits, re-imaginings, and refinements in the back-end of the online shopping supply chain, to create one elegant, easy, economical, and green front-end solution to debilitating last-mile delivery and reverse logistics gridlock.

PUDO's value proposition is exponential along all verticals in the E-commerce ecosystem — affording cost-savings for all stakeholders, and ultimately providing no-cost shipping and return to consumers.

A fully-realized alternative parcel pick-up and return matrix exists already in Europe, connecting tens of thousands of locations in 13 countries, with millions of online shoppers and online retailers. E-commerce and E-commerce facilitation gained traction early and quickly in Europe. PUDO is strategically aligned to advance the opportunity in North America.

How It Works:

1. PUDO affiliated couriers can use PUDO Points as staging points on those occasions when residential customers are not home to receive deliveries. Thirty-five percent of all residential parcels are undeliverable on first-attempt due to customers not being home. (Source: Canada Post, "the omni channel last mile"). Second-attempt deliveries cost courier companies time and money, and doorstep-dropping at empty homes costs the supply network several billion dollars annually in parcel theft, so re-routing to a nearby PUDO Point for pick-up by consumers when convenient, makes financial and operational sense. For consumers, pick-up at a nearby PUDO Point with extended hours is much favoured over driving to a regional courier depot with limited hours. A recent study entitled *Pulse of the Online Shopper** confirms that 52% of online shoppers want an alternative pick-up location solution. (Source: UPS 2017).
2. PUDO affiliated online retailers can offer customers — through a clickable shipping option in the online check-out — the choice to use any PUDO Point as their 'home-away-from-home' shipping address. Choosing PUDO ensures consumers that their parcels will be held in a safe, secure location, with extended hours, near to where they are living, working, playing - even vacationing. Should consumers wish to return or exchange their purchase — which happens 30% of the time — PUDO Point operators ensure the process is seamless and precise for retailers, and hassle-free for consumers arriving with a pre-labeled parcel.
3. PUDO affiliated fulfillment centers can consolidate regional shipments by delivering to thousands of PUDO Points instead of millions of homes. PUDO network could stage and consolidate reverse-logistics (returns) as well.
4. PUDO affiliated consumer 'members' can be assured of convenient parcel pick-up and return throughout the PUDO network, wherever they happen to be at any given time and take advantage of value-added services offered by individual PUDO Point operators - home delivery by appointment, for example. Trials of absentee delivery options have been unremarkable.

Highlights

Private Placement

On August 24, 2017, the Company closed a non-brokered private placement financing of units for gross proceeds of $869,160.

Leadership Changes

The Company announced a re-alignment of the roles and responsibilities of the management team effective October 6th, 2017. As PUDO matures, these changes ensure that the Company is best leveraging the capabilities of its team to foster effective growth. Thomas Bijou, a Director, became the Chairman of the Board of Directors. As Mr. Bijou has a background in growing public companies this change will best leverage his experience to expand the PUDO network and brand across North America. Frank Coccia moved to the role of Chief Strategy Officer. This role allows Mr. Coccia to focus on developing strategic relationships while growing PUDO's customer base. Kurtis Arnold (also a Director of the Company), assumed the role of Chief Executive Officer. Mr. Arnold's focus is on the continuously evolving business plan, refining the Company's processes, and building internal control systems that allows the Company to scale efficiently as PUDO accelerates its growth in both current and new markets. Matt McDonough, moved from VP Network Development to the role of Chief Operating Officer. Mr. McDonough's skills and experience lend themselves well to this expanded scope of responsibility and he leads the team at PUDO to accelerate network growth into the US while onboarding new clients and revenue sources. Mr. McDonough will also ensure that PUDO continues to meet customer service and network support objectives.

PUDO Parcel Analysis

Parcel volume and other factors within the E-commerce ecosystem can affect PUDO's goals and performance during the growth phase. For example, while PUDO grew its network in FY 2018, it handled 83% of the parcel volume experienced during FY 2017, when the Canada Post strike (Q2) and Air Miles Redemption Program (Q4) disrupted typical parcel routing and volume. Average parcel volume for the Company in Q4 FY 2018 was 80% of the average quarterly parcel volume in Q4 FY 2017. As PUDO realizes its growth plan, a greater number of stakeholder partners and consumer members will minimize parcel volume losses, and reduce dependence on specific carriers.

Membership benefit awareness among consumers grew in FY 2018. Forty-one percent of parcels handled by PUDO were introduced by courier partners, and 59% were introduced by consumer members who chose an alternative to traditional home delivery. Relative to the previous year, that is a 12% increase of parcels handled by PUDO that were introduced by consumer members who chose an alternative to traditional home delivery.

PUDO Point Network

The opening of new PUDO Point locations across Canada and the US continues, tied closely to consumer demand and proven/emerging high parcel volumes. Analytics-driven expansion helps ensure that newly activated PUDO Points begin receiving and managing parcels soon after training; thereby maintaining familiarity with PUDO technology, equipment, procedures, and customer service standards.

As PUDO continues to work with an existing customer to strategically increase PUDO's share of their addressable market in Canada and the US, the Company remains focused on exploring new partnerships with other stakeholders in diversified categories and verticals. A number of prospective partners have conducted successful pilot programs, and PUDO has now entered into advanced discussions with them to solidify these growth opportunities.

Through beta testing and analysis, PUDO has learned that within its current Canadian network, approximately half of all E-commerce transactions are initiated by consumers living within three kilometers of a PUDO Point. This bodes well for building failed first-attempt re-direct business and also for staging reverse-logistics (returns).

Pilot programs in strategic US cities continue, as several US courier partners invest in technology to sync themselves and their customers with the PUDO network. Advanced implementation and IT integration activities with a national specialized direct-to-consumer logistics partner are ongoing, and parcel flow should commence in Texas in Q3 of this year.

Financial

The following table includes PUDO's financial highlights as at and for the years ended February 28, 2018, February 28, 2017, and February 29, 2016:

Year	**As at / Year Ended February 28, 2018 $**	**As at / Year Ended February 28, 2017 $**	**As at / Year Ended February 29, 2016 $**
Total assets	818,441	1,011,041	1,288,409
Cash	373,827	445,723	891,301
Total liabilities	435,135	588,990	375,495
Deficit	(6,131,140)	(4,019,324)	(2,928,682)
Shareholders' equity	383,306	422,051	912,914
Revenue	695,960	905,747	125,277
Gross profit	506,141	612,577	68,340
Net loss and comprehensive loss	(2,161,770)	(1,298,782)	(2,577,421)
Net loss per share (basic and diluted)	(0.12)	(0.08)	(0.23)
Working capital	188,511	157,495	786,969
Cash used in operating activities	1,108,972	665,613	1,159,979
Cash provided by financing activities	1,097,664	351,308	1,895,233

The Company realized an increased net loss of $0.9 million to $2.2 million relative to the previous year, of which $0.7 million was due to non-cash stock compensation expense. Otherwise, the net loss increased slightly due to a reduction in gross profit of $0.1 million on lower revenues and increased administrative costs of $0.1 million in the current year, relative to the prior year.

The level of cash and working capital over the past two years has not changed materially, as the Company has been successful in attracting new capital to fund ongoing operations, as evidenced by an increase in capital stock and the warrant reserve, while keeping significant capital expenditures to a minimum. Cash used in operations in the year ended February 28, 2018 increased by $0.4 million to $1.1 million, which was offset by increased cash provided by financing in the amount of $0.7 million to $1.1 million, relative to the previous year.

Trends

Globally, and specifically in North America, the E-commerce market continues to gain strength at several times the pace of traditional retail offerings. As the market evolves, the Company has been reviewing a steady stream of independent analysis and surveys that support the Company's business plans and vision, indicating the following general trends:

- E-commerce continues to grow faster than the parcel-delivery system can keep up.
- Surveys confirm that consumers want alternate delivery locations.
- Surveys confirm that consumers have come to expect free delivery, and increasingly, free returns also. Streamlining parcel traffic management is the only way to facilitate no-cost service for consumers.
- Surveys confirm that consumers increasingly base online purchase decisions on a retailer's returns policy.
- The Company's market research indicates that widespread distrust of shipping services across Western Europe inspired PUDO-like 'click & collect' system; 'revolutionizing' and propelling rapid growth of E-commerce in the UK. Conditions in Canada and the US are reaching a similar tipping point.
- Online retailers are looking for ways to reduce exposure to costs related to doorstep-dropped parcel theft and parcel spoilage.

- Surveys confirm that consumers increasingly opt for same-day delivery; impossible for regional fulfillment centres to manage cost-effectively, but possible by way of affiliation with PUDO.
- In an effort to gain market share, E-commerce players continue to post and/or incur losses directly related to shipping costs and speed of delivery. Over time this is not sustainable and change similar to that which has occurred in Europe, is inevitable in North America.

As E-commerce continues to grow in North America, the traditional retail landscape is shrinking and storefronts are closing. As this supply and demand inequity escalates into gridlock, so too does the opportunity for PUDO to advance its solutions.

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, 2018, February 28, 2017, and February 29, 2016:

Year	**As at / Year Ended February 28, 2018 $**	**As at / Year Ended February 28, 2017 $**	**As at / Year Ended February 29, 2016 $**
Total assets	818,441	1,011,041	1,288,409
Cash	373,827	445,723	891,301
Total liabilities	435,135	588,990	375,495
Deficit	(6,131,140)	(4,019,324)	(2,928,682)
Shareholders' equity	383,306	422,051	912,914
Revenue	695,960	905,747	125,277
Gross profit	506,141	612,577	68,340
Net loss and comprehensive loss	(2,161,770)	(1,298,782)	(2,577,421)
Net loss per share (basic and diluted)	(0.12)	(0.08)	(0.23)

Year ended February 28, 2018, compared with the years ended February 28, 2017 and February 29, 2016

The Company's net loss was $2.2 million for the year ended February 28, 2018, with basic and diluted loss per share of $0.12. This compares with a net loss of $1.3 million with basic and diluted loss per share of $0.08 for the year ended February 28, 2017 and a net loss of $2.6 million with basic and diluted loss per share of $0.23 for the year ended February 29, 2016.

The increase of $0.9 million in the net loss in the year ended February 28, 2018 relative to the prior year was principally because:

- Revenues decreased by approximately $0.2 million to $0.7 million in 2018 relative to the previous year, owing primarily to a reduction in volumes realized by a significant customer.

- Gross profit of $0.5 million for the year ended February 28, 2018 decreased $0.1 million relative to the prior year. As a percentage of revenue, the gross profit in 2018 increased to 72.7%, up from 67.6% in the prior year. This is due to the distribution of higher margin shipments in the year ended February 28, 2018.

- The Company had administrative expenses of $1.9 million during the year ended February 28, 2018 compared to $1.8 million during the year ended February 28, 2017. The increase of approximately $0.1 million was a direct result of increases in salaries and benefits and consulting fees of $0.4 million, offset by a reduction in amortization and impairment of $0.2 million and reduced spending in all other administrative expenses of $0.1 million in 2018, compared with the prior year.

- The Company incurred $0.8 million in share-based compensation during the year ended February 28, 2018 in comparison with $0.1 million during the year ended February 28, 2017. The non-cash increase of approximately $0.7 million in share-based compensation was a direct result of amendments to the stock option plan implemented to incentivize management with options granted that vests over the next four years.

The decrease of $1.3 million in the net loss in the year ended February 28, 2017 relative to the prior year was principally because:

- Revenues increased by approximately $0.8 million to $0.9 million in 2017 relative to the previous year, due to the first full year of operations and the impact of the acquisition of Kinek.

- Gross profit of $0.6 million for the year ended February 28, 2017 increased $0.5 million relative to the prior year, again primarily due to the first full year of operations and the impact of the acquisition.

- The Company had administrative expenses of $1.8 million during the year ended February 28, 2017 compared to $1.1 million during the year ended February 28, 2016. The increase of approximately $0.7 million was a direct result of increases in operating costs for a full year of $0.3 million, an increase of amortization for a full year of $0.2 million and an impairment of $0.2 million in 2017, compared with the prior year.

- The Company incurred $0.1 million in share-based compensation during the year ended February 28, 2017 in comparison with $0.3 million during the year ended February 29, 2016.

- The Company incurred RTO transaction costs of $1.3 million in the year ended February 29, 2016, which did not recur in the year ended February 28, 2017.

The consolidated statements of financial position of the Company as at February 28, 2018, February 28, 2017, and February 29, 2016 were as follows:

	As at February 28, 2018 $	As at February 28, 2017 $	As at February 29, 2016 $
Current assets	522,030	609,555	1,162,464
Non-current assets	296,411	401,486	125,945
Total assets	**818,441**	**1,011,041**	**1,288,409**
Current liabilities	333,519	452,060	360,470
Long-term liabilities	101,616	136,930	15,025
Total liabilities	**435,135**	**588,990**	**375,495**
Share capital	5,148,042	3,971,811	3,366,283
Warrant reserve	481,750	136,137	197,805
Stock option reserve	884,654	333,427	277,508
Deficit	(6,131,140)	(4,019,324)	(2,928,682)
Shareholders' equity	383,306	422,051	912,914
Total liabilities and shareholders' equity	**818,441**	**1,011,041**	**1,288,409**

The Company started operations in 2015 and has historically incurred operating losses associated with its expansion, as reflected in decreasing assets and an increasing deficit over time. The Company's ability to fund its operations is dependent upon securing additional financing or increasing earnings from revenue growth as it strives to get to profitability. See "Trends" and "Risk Factors." The Company has been successful in raising additional financing as is reflected in the increased share capital and warrant reserve.

Long term liabilities in the form of loans and borrowings continued to decrease in the year ended February 28, 2018 to $0.1 million due to cash payments of approximately $54,000 in 2018 as a result of PUDO purchasing certain assets and liabilities of 640624 N.B. Ltd. ("Kinek") in March 2016, of which the total loans and borrowings assumed was $0.2 million.

Summary of Quarterly Results

The following quarterly financial information is derived from the interim consolidated financial statements of the Company for the interim periods indicated below:

Three Months Ended	Total Revenue ($)	Profit or (Loss) Total ($)	Profit or (Loss) Per Share (Basic & Diluted) ($)	Gross Profit ($)	Admin Expenses ($)	Share Based Compensation ($)	Finance Costs ($)
2018-Feb. 28	173,381	(1,081,555)	(0.06)	124,701	(512,381)	(675,856)	(5,337)
2017-Nov. 30	180,157	(364,917)	(0.02)	130,982	(496,609)	(6,341)	(5,631)
2017-Aug. 31	165,894	(464,736)	(0.03)	122,455	(486,335)	(94,943)	(5,913)
2017-May. 31	176,528	(250,562)	(0.02)	128,003	(372,378)	-	(6,187)
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)

Revenue and gross profit has fluctuated over the past 8 quarters, primarily in relation to general consumer E-commerce demand which directly effects courier volumes and results in higher volumes typically leading to the Christmas season. The net loss is directly affected by revenues, gross profit, stock compensation expense as well as the level of administrative expenses, which have grown steadily over the past eight quarters as the management team has been gradually assembled to execute the growth plan.

Overall Objectives

PUDO is committed to becoming North America's largest and most-preferred parcel pick-up and return network, and is positioning itself strategically to do so. By deploying PUDO technology incrementally with affiliated stakeholders within its network, region by region, exponential growth is possible; the Company can deliver cost savings and efficiencies to industry partners and time-saving, convenient value-added services to consumers.

As with all disruptive technologies, as PUDO grows in reach and volume, unexpected opportunities come to light. These can be explored and considered as the network is more fully realized.

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 Company has been engaged with a number of large logistics providers that have an interest in accessing PUDO's growing network of technology enabled PUDO Points. Through these discussions, PUDO has been able to confirm that the growing network currently provides locations within three kilometers of the majority of Canadian online shoppers. Not only are the locations conveniently located, PUDO Points are open later into the evenings and on weekends to ensure access at the consumer's convenience.

Discussions with these logistics companies have advanced over the previous six months. During this time a number of pilot programs have been successfully concluded, while others continue on an ongoing basis. There is a strong likelihood that several of these relationships will lead to contracts in the summer this year. Parcels from these contracts are expected to leverage the existing service offerings and network and, based on the current discussions, will provide the opportunity to offer new services, thereby leveraging the unique capabilities and flexibility of the PUDO Point network.

The parcel growth from these companies is expected to ramp up incrementally over the subsequent 12-18 months after contracts are executed. The services that have been tested validate the adaptability and opportunity a network of courier-neutral, technology enabled pick-up and drop-off locations provide.

PUDO is currently a growth focused company that has material costs aligned with network growth and expansion as well as customer and network acquisition. The potential of these contracts provides the opportunity for PUDO's revenue to meet network management costs. However, the Company intends to remain focused on growth and the acquisition and integration of additional customers. Therefore, the Company will continue to look at options associated with increasing the capital available for expansion.

With a material but still growing network in Canada, PUDO has reached the point where it can offer additional services that have been contemplated by the Company but require a broad presence.

Looking to the US market opportunity, PUDO is seeking partners that can provide parcel volume to support network expansion in advance of the critical mass of PUDO Points required to offer the types of services being developed in Canada. To accomplish that, PUDO has focused on the profile of partners that have the best opportunity to benefit from PUDO Points while simultaneously supporting the network expansion. Discussions with several companies are ongoing. Progress with one national specialty logistics provider has been significant and is uniquely positioned to benefit from a PUDO re-directs option. Successfully finalizing a contract should create the opportunity to see US parcel growth beginning in Q3 FY 2019. Volumes are expected to ramp up over the subsequent 12-18 months aligned with PUDO's US network expansion.

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 $373,827, working capital of $188,511 and shareholders' equity of $383,306 as at February 28, 2018. The losses were primarily the result of expenditures in attracting customers, business partners and costs related to building a robust infrastructure to serve as a platform for, and to support, future growth initiatives.

The Company has been and expects to continue to be successful in raising the required capital to fund its operations, accelerate expansion and shorten the horizon to break-even operations. In the coming months, the Company will continue to explore these financing opportunities. However, there is no assurance that the Company will be able to raise the necessary funds 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, May 17, 2018, the Company has (i) 19,123,759 common shares outstanding; (ii) 1,130,268 warrants exercisable for the purchase of 1,130,268 common shares and (iii) 3,149,500 stock options exercisable for the purchase of 3,149,500 common shares.

Liquidity and Capital Resources

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 financing will be required for the Company to be able to successfully execute 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, 2018 $	February 28, 2017 $
Advances payable to a shareholder	-	15,025
Loans and borrowings (1)	136,930	167,353
Total	**136,930**	**182,378**

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 39 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 $23,068 (February 26, 2017 - $27,159) during the year ended February 28, 2018. The rate used in determining the appropriate present value of the borrowings was subject to management estimation.

	As at / year ended Feb. 28, 2018 ($)	As at / year ended Feb 28, 2017 ($)	Comments
Total assets	818,441	1,011,041	
Cash & cash equivalents	398,827	470,723	*Includes restricted cash of $25,000*
Working capital	188,511	157,495	*Includes non-cash working capital*
Cash flows used in operating activities (including non-cash)	1,108,732	665,613	*Increase attributable to increased operating loss, decrease in trade and other payables and a decrease in trade and other receivables as at Feb. 28, 2018.*
Cash flows used in investing activities	60,828	131,273	*Reduced 2018 cash outflows include purchase of equipment and capitalization of intangible assets directly related to software development.*
Cash provided by financing activities	1,097,664	351,308	*Net proceeds of private placement of common shares, options and warrants exercised, offset against repayment of advances payable and borrowings*

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 years beginning on or after March 1, 2018 or later years. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

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

IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB in November 2009 with additions in October 2010 and August 2013 and replaces 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. The Company is evaluating the impact of the new standard and it is expected that adoption of this standard will not have a significant impact on the Company's financial statements.

IFRS 15 - Revenue From Contracts With Customers ("IFRS 15") replaces the previous revenue standards 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, 2018. The Company is evaluating the impact of the new standard and it is expected that adoption of this standard will not have a significant impact on the Company's financial statements.

IFRS 16 – Leases ("IFRS 16") was amended in January 2016 which replaces IAS 17 - Leases and addresses the accounting of leases. IFRS 16 eliminates the classification as an operating lease and requires lessees to recognize a right-of-use asset and a lease liability in the statement of financial position for all leases with exemptions permitted for short-term leases and leases of low value assets. In addition, IFRS 16 changes the definition of a lease, sets the requirement on how to account for the asset and liability, including complexities such as non-lease elements, variable lease payments and options periods. IFRS 16 is effective for annual years beginning on or after January 1, 2019.

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 recognized 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.

<u>(b) Changes in accounting standards</u>

The Company has adopted the following amendments effective March 1, 2017.

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.

There was no material impact on the adoption of these standards on the consolidated financial statements.

<u>(c) Foreign currencies</u>

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 provides technology and a network of third party locations where consumers can pick up or drop off parcels and revenue is generated in two ways: (i) when a courier cannot deliver a parcel to a residential customer, they may choose to drop the parcel off at a PUDO Point; and (ii) consumers choose to have their parcels delivered directly to a Kinek or PUDO Point.

In each event, the Company recognizes revenue when the parcel has arrived at the PUDO or Kinek Point, which is the point at which the Company has satisfied its performance obligation under its contracts with consumers, couriers and third-party locations and revenue is reliably measurable and collection is reasonably assured.

(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.

(f) Intangible assets

Intangible assets, which consist of computer systems software, including software acquired in a business combination (note 18), 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 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, restricted short-term investments and 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.

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 assets(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).

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 compensation to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in the share-based compensation 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 compensation transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

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

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

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, 2018 and February 28, 2017.

(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, 2018 and February 28, 2017, 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 credit card.

(n) Segment information

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

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

Related Party Transactions

During the year ended February 28, 2018, the Company incurred bookkeeping fees and office rental, which is included in accounting and office expense, for $107,400 (2017 - $72,000) to a company with common officers and directors.

During the years ended February 28, 2018 and 2017, the Company had the following transactions with shareholders, management and directors:

		2018		**2017**
Share-based compensation	**$**	**777,139**	$	66,254
Salaries and benefits		**322,121**		150,208
Consulting fees		**222,510**		157,712
	$	**1,321,770**	$	374,174

As at February 28, 2018, balances payable to the related parties noted above amounted to $62,533 (2017 - $135,806) and are included in trade and other payables. These balances are unsecured, non-interest bearing and due on demand.

On August 24, 2017, the Company closed a non-brokered private placement financing of units for gross proceeds of $869,160. Certain related parties of the Company participated in the non-brokered private placement financing (the "Offering"). Pursuant to the Offering, Thomas Bijou, a director of the Company, acquired 107,140 Units for $214,280; Bijou Family Partnership, a partnership controlled by Mr. Bijou, acquired 35,715 Units for $71,430; and Murray Cook, a director of the Issuer, acquired 5,000 Units for $10,000; and Flight Solutions & Services (FSS) Inc., a corporation controlled by Ian McDougall, a director of the Issuer, acquired 5,000 Units for $10,000. Pursuant to the Debt Settlement, Douglas Baker, the Chief Financial Officer of the Company, settled $40,000 in debt in exchange for 20,000 Units.

Financial Risk Management

Information about the Company's exposure to various financial risks is disclosed below.

(a) Fair values

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

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. The Company has one customer with significant revenues. This customer is comprised of three different businesses operated independently under common control.

		2018		**2017**
Revenue from one customer	**$**	**363,307**	$	583,497
% of total revenue		**52%**		64%
Account receivable from one customer	**$**	**41,400**	$	67,364
% of total accounts receivable		**47%**		63%

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

	2018	**2017**
Cash	**$ 373,827**	$ 445,723
Restricted short-term investment	**25,000**	25,000
Trade and other receivables	**95,036**	117,736
	$ 493,863	$ 588,459

(ii) Liquidity risk

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

The following are the contractual maturities of financial liabilities:

As at February 28, 2018	**1 Year or Less**	**Greater than 1 year**	**Total**
Trade and other payables	$ 298,205	$ -	$ 298,205
Loans and borrowings (monthly instalments of $4,458)	53,496	120,366	173,862
	$ 351,701	**$ 120,366**	**$ 472,067**

As at February 28, 2017	**1 Year or Less**	**Greater than 1 year**	**Total**
Trade and other payables	$ 406,612	$ -	$ 406,612
Advances payable	15,025	-	15,025
Loans and borrowings (monthly instalments of $4,458)	53,496	173,862	227,358
	$ 475,133	$ 173,862	$ 648,995

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

(iii) Market risk

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

Revenue by geographic region is as follows:

		2018		**2017**
Canada	**$**	**391,167**	$	610,458
United States of America		**304,793**		295,289
	$	**695,960**		$905,747

(iv) Currency risk

Since the Company has a bank account denominated in US dollars, it is exposed to foreign currency risk due to fluctuations in the exchange rate. The Company purchases goods and services in Canadian dollars and US dollars. Since the Company reports its results in Canadian dollars, the functional currency of the Company, it is exposed to changes in the value of the US dollar relative to that of the Canadian dollar. As at February 28, 2018 and 2017, the Company had cash, trade and other receivables and trade and other payables denominated in US dollars as follows:

As at February 28, 2018		**USD**		**CAD**
Cash	$	272,926	**$**	346,234
Trade and other receivables		35,336		44,827
Trade and other payables		(24,115)		(30,952)

As at February 28, 2017		**USD**		**CAD**
Cash	$	220,357	**$**	288,690
Trade and other receivables		30,558		40,034
Trade and other payables		(60,220)		(79,503)

(v) Interest rate risk

The Company's exposure to risks of changes in market interest rates relates primarily to its cash and short-term investment balances. The Company regularly analyzes its interest rate exposure, giving consideration to potential renewals of existing positions, alternative financial positions and the mix of fixed and variable interest rates.

(vi) Capital risk management

The Company reviews and manages its capital position from time to time to maintain a balance between its liability and equity levels. The Company uses the capital contributed by investors to finance its working capital requirements. The Board of Directors does not establish quantitative return on capital criteria for management but rather relies on the expertise of the Company's management to sustain future developments of the business. The Company defines capital as equity and borrowings. As at February 28, 2018, the Company had equity of $383,306 (2017 - $422,051) and borrowings of $136,930 (2017 - $167,353).

The Company's capital management objectives, policies and processes have remained materially unchanged during the years ended February 28, 2018 and February 28, 2017.

(vii) Sensitivity analysis

Based on management's knowledge and experience in the financial markets, the Company believes the following movements are reasonably possible over a year. Sensitivity to a plus or minus 1% change in the US–Canadian dollar foreign exchange rate, based on the current US dollar denominated balances as at February 28, 2018, would affect the net loss by approximately plus or minus $3,900 during a year.

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 and it could have a substantial impact on the Company's ability to continue operations at its present level.

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 favourable 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 it has a plan to reach profitability, there is no assurance that the plan can be achieved. The plan may be affected by other risk factors discussed in this section and will require additional capital to be raised to achieve this plan. This history of losses casts doubt on the ability of the Company 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 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 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 generally accepted accounting principles ("GAAP"), which follow International Financial Reporting Standards ("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, 2018 and February 28, 2017 are as follows:

Cost of sales	**February 28, 2018**	**February 28, 2017**
External processing charges	$ 177,741	$ 282,524
Computer and web access charges	12,078	10,646
Total cost of sales	**$ 189,819**	**$ 293,170**

Administrative expenses	**February 28, 2018**	**February 28, 2017**
Salaries and benefits	$ 708,288	$ 496,669
General and administrative expenses	150,211	192,702
Travel, promotion, and business development	94,062	125,736
Consulting fees	394,652	239,339
Professional fees	136,901	161,972
Investor relations	41,805	94,735
Accounting and office	107,400	72,000
Agent and filing fees	47,410	46,094
Foreign exchange loss	21,072	7,916
Amortization	165,903	368,222
Loss on disposal of equipment	-	12,561
Total cost incurred	**$ 1,867,704**	**$ 1,817,946**