PUDO INC.

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS

QUARTERLY HIGHLIGHTS

FOR THE THREE AND SIX MONTH PERIODS ENDED AUGUST 31, 2018

(EXPRESSED IN CANADIAN DOLLARS)

Prepared by:

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Introduction

The following interim Management's Discussion and Analysis – Quarterly Highlights (the "Quarterly Highlights") of the financial condition and results of the operations of PUDO Inc. ("PUDO" or the "Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the three and six month periods ended August 31, 2018 ("Q2 FY 2019"), 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 Company's unaudited condensed interim consolidated financial statements for the three and six month periods ended August 31, 2018, the audited annual consolidated financial statements of the Company for the years ended February 28, 2018 and 2017, together with the notes thereto, and Management's Discussion and Analysis ("Annual MD&A") of the Company for the year ended February 28, 2018. 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 this Quarterly Highlights were prepared in compliance with International Accounting Standard ("IAS") 34, Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB") using the accounting policies the Company adopted in its annual condensed consolidated financial statements as at and for the year ended February 28, 2018, except as for the adoption of new standards effective as of March 1, 2018 and interpretations issued by the IFRS Interpretations Committee ("IFRIC").

The Company's fiscal year end is February 28.

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

Description of Business

PUDO is listed on the Canadian Securities Exchange under the symbol "PDO" and on the OTC-QB exchange under the symbol "PDPTF".

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"), Software as a Service (SaaS) companies and courier companies, consumers can take secure delivery of their parcels or drop-off returns where it's convenient, when it's convenient.

Existing businesses, such as convenience stores or gas stations, each provide services as a PUDOpoint™ ("PUDOpoint"). PUDOpoints 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 deliveries. Retailers can ship directly to PUDOpoints saving residential delivery costs, and the risk of theft or spoilage. PUDO also helps retailers reduce the cost and increase the convenience of their returns program. Consumers can drop off pre-labeled parcels at any PUDOpoint for processing back to the retailer.

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 its very nature, forward-looking statements inherently involve known and unknown risks and uncertainties that may cause actual results to differ materially from those expressed or implied by such forward-looking statements. Such risks include, without limitation those risks discussed in the "Risk Factors" section of PUDO's Annual MD&A dated May 17, 2018.

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

Highlights

During the second quarter of fiscal 2019, the Company announced strategic partnerships with global leaders in shipping and returns, including:

- An International 3PL that manages several billion parcels per year, delivering to five million addresses daily. PUDO is newly contracted to increase their competitive advantage across Canada, by re-directing failed first deliveries to PUDOpoints, and by using PUDOpoints as their community fulfillment centres (staging centres for courier pick-up of 3PL parcels), thereby extending their network. Service is scheduled to commence with a strategic roll out to areas across Canada in the third quarter.

- A global leader in return systems for E-commerce companies, with some of the largest global fashion brands among its clients. PUDO is being integrated in the returns portal of UK retail websites to provide service within the Canadian market using PUDOpoints as drop-off locations for products returning to the UK. These efficiencies will reduce shipping costs and increase choice for consumers. There are additional opportunities for expansion with this partner to expand the US PUDOpoint network. The PUDO network is being integrated with its partner's system and is expected to be available for consumers in the third quarter.

- The largest direct-to-consumer signature-required distribution company in the US, which has been growing rapidly. Their customers include producers, manufacturers, and retailers from all over the US, many of whom manage perishable goods subject to spoilage if delayed or mismanaged in transit. This specialty 3PL is already working with several US couriers already integrated with PUDO's technology. As the US network expands, this partner can provide base freight to establish a network from coast-to-coast. PUDO and this customer are integrating their systems to enhance customer communication capabilities for missed deliveries. It is also expected that services will commence in the third quarter.

The majority of new parcels supplied by these partners will flow inside of Canada where the Company already has an extensive network. Recent analysis with these partners has shown that PUDO's current network, before further planned expansion, places a PUDOpoint within 3 km (2 mi) of 50% of Canadian consumers working with these companies, and within 5 km (3 mi) of more than 75% of consumers. The natural evolution of successful relationships with PUDO's new partners can lead to additional service opportunities in more geographic areas across Canada and the US, resulting in millions more parcels in the PUDO network.

During this quarter, the Company invested in software enhancements for both its parcel control system, as well as PUDOpoint location software. These software enhancements enable the Company to add new services including staging parcels for 3rd party couriers, as well as the notifications and API capability to manage returns. These enhancements were necessary for these new partners to complete their integration with PUDO. These enhancements also improve the ability for PUDO to communicate with consumers and reduce the development work necessary for other new customers to complete integration.

The Company is pleased to report that PUDOpoint operators are seeing the benefits of micro-supported membership - both in increased foot traffic resulting in increased sales - and stronger organic growth is taking hold within the independent convenience store communities where PUDO is entrenched. Direct to PUDO business generated by unsolicited consignees and inquiries by potential PUDOpoints are growing steadily, which confirms PUDO is on the right track.

Operations

Parcel Volume Analysis

During the six month period ended August 31, 2018 parcel volumes increased by 5.1% relative to the six month period ended August 31, 2017, due to activation of new PUDOpoints in strategic areas driven by the requirements of a significant PUDO customer. Compared to the first quarter, parcel volumes in Q2 FY2019 decreased 5.7%, due to the reduced volume of Kinek member shipments. This is associated with the general increasing strength of the US dollar as well as a period of negative media coverage that has cast uncertainty regarding border crossing processes and tariffs. This decrease was partially offset with increased parcel volume and other services across the Canadian PUDO network.

PUDOpoint Network

The Company continues to work closely with current customers in identifying strategic areas of expansion to grow parcel volumes across the PUDOpoint Network. New locations have been opened where current and new customers have indicated a need for PUDO's services, 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 evolving suite of services.

Direct to PUDO Program

PUDO continues to expand its IT integration with transportation partners to enable it to offer end-to-end service directly to a PUDOpoint selected by the consumer at checkout. These transportation partners are able to offer attractive delivery rates and speed through this program and these savings can be passed along to retailers looking to offer additional choices to their customers. This expansion has been further strengthened by the strategic partnerships referred to earlier in this report.

Reverse Logistics Program

PUDO will continue to develop the reverse logistics program with its partners for E-commerce customers facing escalating costs and demanding consumer expectations. PUDO's technology allows partner retailers to let their customers drop-off returns at any PUDOpoint and PUDO's network facilitates the returns process while saving shipping costs. The strategic partnerships referred to earlier are expected to significantly enhance this program for PUDO.

Financial Condition and Performance

Financial Performance

A summary of selected financial information for the three and six month periods ended August 31, 2018 and 2017 are included below:

PUDO Inc.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)
(Unaudited)

	Three Months Ended August 31,		Six Months Ended August 31,	
	2018	**2017**	**2018**	**2017**
Revenue	**$ 178,285**	$ 165,894	**$ 365,549**	$ 342,422
Cost of sales	**(53,199)**	(43,439)	**(103,046)**	(91,964)
Gross profit	**125,086**	122,455	**262,503**	250,458
Administrative expenses	**(526,841)**	(486,335)	**(1,076,408)**	(858,711)
Share-based compensation	**(1,036,819)**	(94,943)	**(1,063,533)**	(94,943)
Operating loss	**(1,438,574)**	(458,823)	**(1,877,438)**	(703,196)
Finance costs	**(4,715)**	(5,913)	**(9,846)**	(12,101)
Net loss and comprehensive loss for the period	**$ (1,443,289)**	$ (464,736)	**$(1,887,284)**	$ (715,297)
Loss per share - basic and diluted	**$ (0.07)**	$ (0.03)	**$ (0.10)**	$ (0.04)
Weighted average number of shares outstanding - basic and diluted	**19,333,155**	17,285,425	**19,193,005**	16,957,907

During the three month period ended August 31, 2018, the Company reported a net loss of $1,443,289 ($0.07 basic and diluted loss per share), an increase from a net loss of $464,736 ($0.03 basic and diluted loss per share) in the corresponding quarter in the prior fiscal year. This increase is primarily a result of increased administrative expenses and share-based compensation, partially offset by increased revenues and gross profit.

The net loss for the six months ended August 31, 2018 was $1,887,284 ($0.10 basic and diluted loss per share), up from a net loss of $715,297 ($0.04 basic and diluted loss per share) in the corresponding quarter in the prior fiscal year. This increase relates primarily to increased administrative expenses and share-based compensation, partially offset by increased revenues and gross profit.

Revenue for the three month period ended August 31, 2018, was $178,285 (August 31, 2017 -- $165,894) representing a 7.5% increase over the same period last year. Gross profit for the three month period ended August 31, 2018 was $125,086 (August 31, 2017 -- $122,455). These increases were due to increased parcel volume and a modest price increase implemented March 1, 2018.

Revenue for the six months ended August 31, 2018 was $365,549 (August 31, 2017 – $342,422), representing a 6.7% increase over the same period last year. Gross profit for the six months ended August 31, 2018 was $262,503 (August 31, 2017 – $250,458). These increases due to increased parcel volume and a modest price increase implemented March 1, 2018.

Administrative expenses for the three and six month periods ended August 31, 2018 were $526,841 and $1,076,408 (August 31, 2017 - $486,335 and $858,711), respectively, representing an increase relative to the corresponding periods in the prior fiscal year. These cost increases relate primarily to the impact of additional full-time management hired last year and additional customer support employees hired this year.

Share-based compensation for the three and six month periods ended August 31, 2018 was $1,036,819 and $1,063,533 (August 31, 2017 - $94,943 and $94,943), respectively, representing an increase relative to the corresponding periods in the prior fiscal year. This was primarily related to the stock options issued in the latter part of the prior fiscal year.

Cash Flows

During the six months ended August 31, 2018 cash decreased by $85,374 due to $630,720 cash used in operating activities (August 31, 2017 - $585,510) and $28,851 in equipment/software purchases (August 31, 2017 - $14,502), partially offset by $574,197 (August 31, 2017 - $553,362) provided by financing activities including the exercise of warrants.

Financial Condition

As at August 31, 2018, the Company had total assets of $714,258 (February 28, 2018 - $818,441). The decrease in the six months ended August 31, 2018 was primarily attributed to the excess of expenses over revenues, partially offset by additional equity raised as a result of warrants exercised.

As at August 31, 2018, the Company had working capital (defined as current assets less current liabilities) of $33,416 (February 28, 2018 - $188,511) and had not yet achieved profitable operations. The Company plans to fund its planned expansion of the PUDO network through equity financings. See "*Liquidity*" below.

Liquidity and Capital Resources

PUDO intends to generate the capital necessary to fund the planned expansion through revenue from operations and equity financing activities.

On August 24, 2018, 249,064 common shares of the Company were issued upon the exercise of 249,064 warrants at $1.00 per share for total cash proceeds of $221,210 and $27,854 in settlement of debt owing to an officer of the Company.
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 equity financings. The Company's outstanding loans and borrowings as at August 31, 2018 consist of the following:

	August 31, 2018	February 28, 2018
Loan payable (Atlantic Canada Opportunities Agency)		
33 instalments repayable at $4,458 per month	**$ 147,114**	$ 173,862
Less: Discount future contractual cash flows	**27,183**	36,932
	119,931	136,930
Less: Current portion	**38,047**	35,314
	$ 81,884	$ 101,616

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 six month periods ended August 31, 2018 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. The Company's financial statements for the year ended February 28, 2018 contain an emphasis of matter paragraph in its audit opinion related to its ability to continue as a going concern. Management believes that actions currently being taken, which primarily involve increasing revenues, controlling expenses, and raising additional capital will allow the Company to achieve profitability and allow the Company to continue as a going concern.

Related Party Transactions

During the three and six month periods ended August 31, 2018 and 2017, the Company incurred bookkeeping fees and office rental, which is included in accounting and office expense, of $41,850 and $83,700 (August 31, 2017 - $18,000 and $36,000), respectively, to a company with a common officer and director. During the three and six month periods ended August 31, 2018, 27,854 common shares were issued to an officer of the Company (August 31, 2017 - nil) pursuant to the exercise of warrants in settlement of $27,854 debt owing to the officer.

During the three and six month periods ended August 31, 2018 and 2017, the Company had the following transactions with shareholders, management and directors:

	Three Months Ended August 31,		**Six Months Ended August 31,**	
	2018	**2017**	**2018**	**2017**
Salaries and benefits	**$ 163,514**	$ 92,250	**$ 325,594**	$ 128,250
Consulting fees	**9,786**	40,034	**19,536**	82,260
	$ 173,300	$ 132,284	**$ 345,129**	$ 210,510

As at August 31, 2018, balances payable to the related parties noted above amounted to $124,336 (February 28, 2018 - $62,533) and are 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, 2018, dated May 17, 2018 and 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 2019 second fiscal quarter and to the date of this report.