PUDO INC.

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS

QUARTERLY HIGHLIGHTS

FOR THE THREE AND SIX MONTH PERIODS ENDED

AUGUST 31, 2019

(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, 2019 ("Q2 FY 2020"), together with certain trends and factors that are expected to have an impact in the future.

These Quarterly Highlights have been prepared in compliance with the requirements of section 2.2.1 of Form 51-102F1, in accordance with National Instrument 51-102 - Continuous Disclosure Obligations. This discussion should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements for the three and six month periods ended August 31, 2019, the audited annual consolidated financial statements of the Company for the years ended February 28, 2019 and 2018, together with the notes thereto, and Management's Discussion and Analysis ("Annual MD&A") of the Company for the year ended February 28, 2019. All dollar amounts are expressed in Canadian dollars unless otherwise noted.

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

The Company's fiscal year end is February 28.

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

Description of Business

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

PUDO's purpose is to improve the connection between e-commerce users and consumers. Through collaboration with online retailers, third party logistics companies ("3PL"), Software as a Service ("SaaS"), and courier companies, consumers can take secure delivery of their parcels or drop-off returns where, and when, it's convenient for them.

Existing businesses, such as convenience stores or gas stations, provide services as a PUDOpoint™ (a "PUDOpoint"). PUDOpoints are typically open extended hours, seven days a week to make it convenient for busy consumers to quickly and efficiently collect what they've ordered online or drop off what they need to return. The Company deploys its technology to provide consumers with convenient PUDOpoints (the "Network") to pick-up or drop-off (hence the name "PUDO") e-commerce parcels.

PUDO's services provide courier companies and retailers with a presence in a broad variety of locations to better serve their customers. Not only convenient, these services can also save money. Couriers don't have to attempt delivery a second or third time or make other arrangements with customers who aren't home. Retailers can ship directly to PUDOpoints saving residential delivery costs and reducing the risk of theft or spoilage. PUDO also helps retailers reduce the cost and increase the convenience of their returns program. Consumers can drop off pre-labeled parcels at any PUDOpoint for processing back to the retailer.

Cautionary Note Regarding Forward-Looking Information

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

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

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

Highlights

During Q2 of Fiscal Year 2020, PUDO continued to show strong revenue growth associated with growing demand for partner services which continues to reinforce the potential of the Company's vision and corporate priorities. In this quarter, overall revenue was up 28.9% compared to the same quarter in the previous year. Strong growth in partner shipments was tempered by continued softness in member shipments sent to the Company's associated US border points. This weakness is in the context of overall reduced demand for the cross border shopping services offered by Kinek.

During this quarter, the Company continued to build parcel volume through the expansion of services to Canadian shipping partners. This quarter also provided indications of interest for PUDO to integrate with other partners in the coming quarters of this fiscal year. The Company continues to conduct pilot programs with new partners/services as they increase their utilization of the Network.

As e-commerce continues to gain traction, large shippers and marketplaces are seeking out PUDO directly to help reduce friction in the fulfillment of orders to consumers as well as harnessing the potential of the Network when consumers/shippers need to drop parcels off at a convenient counter location. An example of this is the partnership announced with Give Back Box ("GBB") on August 26, 2019 (https://www.pudo.ca/investorrelations/news/2019-08-26%20PUDO%20Give%20Back%20Box%20Release%20(Publish).pdf). Services commenced in September 2019 with GBB partner. PUDO manages the receipt, consolidation, and delivery of Give Back Boxes to participating charities, allowing non-profits to concentrate on fulfilling their missions of feeding, clothing, housing, re-training, and otherwise assisting people struggling with disadvantages. In all cases, cardboard Give Back Boxes will be recycled and diverted from landfills.

The Company remains focused on attracting new opportunities with other significant logistics 3PL partners capable of supporting accelerated Network expansion on significant volumes and across multiple revenue streams.

The Company continues to work with its investment bankers who are leveraging these new opportunities in discussions with parties who are interested in funding the Company's growth through contributions towards Network expansion as well as technology to enable new value-based fulfilment and returns solutions.

Operations

Parcel Volume Analysis

During Q2 FY 2020 the Company worked closely with its current partners in identifying strategic areas of the PUDO Network to accommodate parcel volume growth from those partners.

While the Company continued to strategically manage the efficiencies of the Network throughout Q2 FY 2020, overall parcel volume increased by 28.8% compared to the three month period ended August 31, 2018 ("Q2 FY 2019"). During this quarter, Q2 FY 2020, partner shipments increased 81.0% over the same quarter in the previous year. During the same three month period, member shipment volumes were down 10.8%, as a result of continued reduced cross border shopping demand. In Q2 FY 2020, partner shipments represented 60.6% of the Company's total volumes, up from 43.1% in the prior fiscal year.

During the six months ended August 31, 2019 overall parcel volumes increased by 19.3% relative to the six months ended August 31, 2018 in the prior year.

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

- *Failed First Attempts ("FFA") Parcels*: During Q2 FY 2020 total FFA parcel volume increased by 73.3% over Q2 FY 2019, while during Q2 FY 2019 FFA parcel volume increased 14.8% as compared to FFA volume for the three month period ended August 31, 2017 ("Q2 FY 2018"). In sequential quarters, parcel volumes in Q2 FY 2020 compared to Q1 FY 2020 increased by 21.0%. These increases are directly related to increased utilization of the PUDO Network by the Company's various partners.

- *Member Shipments*: During Q2 FY 2020 total consumer parcel volume decreased by 10.8% over Q2 FY 2019. This decrease is related to continued decreased cross border shipping demand associated with the ongoing weakness of the Canadian dollar impacting Canadian consumers' desire for online ordering and shipping to a US KinekPoint location. In sequential quarters, parcel volumes in Q2 FY 2020 compared to Q1 FY 2020 remained stable with a slight increase of 0.8%. This compares to a parcel decease of 10.2% in the prior year in comparing Q2 to Q1 FY 2019.

- *Courier Pickup Parcels*: During Q2 FY 2020, PUDO continued to see growth within the courier pickup service with parcel volume increase of 16.4% compared to the prior three month period, Q1 FY 2020. This trend is expected to continue as PUDO partners extend this service to their customers in targeted locations. Although the volumes are relatively modest as compared to overall parcel volume, these parcels are an important benefit for partner couriers to access the marketplace and other small office / home office business shipping demand.

- *Returns Parcels*: During Q2 FY 2020, PUDO's returns logistics service, from across Canada with a SaaS partner, accounted for 3.2% of partner shipments as compared to none in the prior fiscal year. Adding the PUDOpoints to this retailer's return choices allowed new convenient options for consumers to drop off returns with minimal effort. The Network parcel PUDOpoints are located close to where people live, work and play, streamlining the returns process.

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.

Operations

PUDO continues to leverage its Canadian PUDOpoint network to meet growing demand for services from its partners. It is doing this by making drop off network points available for multiple customers. This is increasing PUDOpoint revenue per store and helping diversify the customers accessing services across network locations.

PUDO is also working with partners to increase the offerings available to consumers at the store level through investment in technology. Work has continued on additional integrations with new and existing customers to make these services available.

PUDO is also in advanced discussions pertaining to operations and integration for new opportunities to advance the development of the US network. These same partners have also expressed intent to make these services across the Canadian network as well.

In the last quarter, the Company has reduced its labor expenses associated with network management to better align with the planned demand for the Canadian network this year. This recognizes the expectation that US network expansion will be deferred into 2020 based on access to expansion capital.

In Canada, the Company continues to expand its services with existing customers, including 3PL services to areas not served by the existing PUDOpoint network. This serves not only to increase revenue, but also to inform the Company's planned expansion into additional markets. These services are being offered for both outbound and returned parcels.

Financial Condition and Performance

Financial Performance

A summary of selected financial information for the three and six month periods ended August 31, 2019 and 2018 are included below:

PUDO Inc.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

(Unaudited)

	Three Months Ended August 31,		Six Months Ended August 31,	
	2019	**2018**	**2019**	**2018**
Revenue	**$ 229,971**	$ 178,285	**$ 444,950**	$ 365,549
Cost of sales	**(86,223)**	(53,199)	**(156,600)**	(103,046)
Gross profit	**143,748**	125,086	**288,350**	262,503
Administrative expenses	**(512,730)**	(526,841)	**(1,072,665)**	(1,076,408)
Share-based (compensation)*	**(153,789)**	(1,036,819)	**(307,578)**	(1,063,533)
Operating loss	**(522,771)**	(1,438,574)	**(1,091,893)**	(1,877,438)
Finance costs	**(60,198)**	(4,715)	**(90,686)**	(9,846)
Net loss and comprehensive loss for the period	**$ (582,969)**	$ (1,443,289)	**$ (1,182,579)**	$ (1,887,284)
Loss per share basic and diluted	**$ (0.03)**	$ (0.07)	**$ (0.06)**	$ (0.10)

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

During the three month period ended August 31, 2019 revenues increased by 28.9% across the Network. The Company reported a net loss of $582,969 ($0.03 basic and diluted loss per share), a decrease from a net loss of $1,443,289 ($0.07 basic and diluted loss per share) in the corresponding quarter in the prior fiscal year. The majority of this decreased loss was attributable to the adjustment to non-cash expenses related to share-based compensation which is designed to maintain alignment between the objectives of Company leadership and shareholders. The net loss for the six months ended August 31, 2019 was $1,182,579 ($0.06 basic and diluted loss per share), a decrease from a net loss of $1,887,284 ($0.10 basic and diluted loss per share) in the corresponding quarter in the prior fiscal year, again primarily due to a reduction in non-cash share-based compensation relative to the corresponding period of the prior fiscal year.

Revenue for the three month period ended August 31, 2019, was $229,971 (August 31, 2019 - $178,285) representing an increase of $51,686 or 28.9% over the same period last year. Gross profit for the three month period ended August 31, 2019 was $143,748 (August 31, 2018 - $125,086) representing an increase of $18,662 or 14.9% over the same period last year.

Revenue for the six months ended August 31, 2018 was $444,950 (August 31, 2018 – $365,549), representing a 21.7% increase over the same period last year. Gross profit for the six months ended August 31, 2019 was $288,350 (August 31, 2018 – $262,503), representing a 9.8% increase over the same period last year.

The increases in revenue for both the three and six month periods ended August 31, 2019 are attributable to increased parcel volumes by current and new partners and a shift in parcel volume by service offering. The growth in direct costs is also linked to this shift, as parcel volumes increased in revenue streams with higher direct costs and decreased in lower revenue streams without significant direct costs.

Administrative expenses for the three and six month periods ended August 31, 2019 were $512,730 and $1,072,665 (August 31, 2018- $526,841and $1,076,408), respectively, representing a decrease relative to the corresponding periods in the prior fiscal year. These cost decreases relate primarily to the impact of the reduction of employees during the six month period.

Non-cash share-based compensation for the three and six month periods ended August 31, 2019 was recorded as $153,789 and $307,578 (August 31, 2018 - $1,036,819 and $1,063,533), respectively, representing a decrease relative to the corresponding periods in the prior fiscal year.

Financial Condition

As at August 31, 2019, the Company had total assets of $449,684 (February 28, 2019 - $480,633). This decrease was primarily attributed to the ongoing amortization of intangible assets, offset by an increase in current assets as a result of volume growth.

As at August 31, 2019, the Company had a working capital deficiency (defined as current assets less current liabilities) of $1,665,640 (February 28, 2019 – $815,134), had not yet achieved profitable operations, had used cash in operating activities of $443,235 for the six month period ended August 31, 2019 (August 31, 2018 - $630,720), had a deficit of $10,318,586 as at August 31, 2019 (February 28, 2019 - $9,248,236) and had a shareholders' deficiency of $1,532,001(February 28, 2019 – $657,000). The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. While the Company has been successful in raising the necessary funding to continue operations in the past, there is no assurance that it will be able to do so in the future. The Company is seeking to fund its planned expansion of the PUDO Network through equity financings. See "*Liquidity and Capital Resources*" below.

Cash Flows

During the six months ended August 31, 2019 cash decreased by $4,922 to $45,717 (February 28, 2019 – $50,639) due to $443,235 cash used in operating activities and $33,452 cash used in investing activities with a total of $488,254 cash provided by financing activities including the issuance of a note payable of $515,000 provided by a company with a common officer and director offset by repayment of advances payable and borrowings.

Liquidity and Capital Resources

As noted in the Annual MD&A and previous Quarterly Highlights, the Company generates limited cash from operations. The Company's primary source of cash to date has been from equity financings and more recently through convertible debentures and a promissory note. The Company's outstanding loans and borrowings as at August 31, 2019 consist of the following:

		August 31, 2019		**February 28, 2019**
Loan payable (Atlantic Canada Opportunities Agency)				
21 instalments repayable at $4,458 per month	$	**93,618**	$	120,366
Less: Discount future contractual cash flows		**11,734**		18,750
		81,884		101,616
Less: Current portion		**44,163**		40,991
	$	**37,721**	$	60,625

During the three and six month periods ended August 31, 2019, the Company raised $515,000 via a promissory note from a company with a common officer and director. This note carries an interest rate of 20.0% per annum, payable on demand.

Opening balance – February 28, 2019	**$**	**-**
Promissory note		515,000
Interest expense		27,666
Interest payment		-
Balance – August 31, 2019	**$**	**542,666**

As indicated in the Annual MD&A, the Company had convertible debentures with the following amounts as of February 28 and August 31, 2019.

Opening balance – February 28, 2018		**-**
Convertible debenture		468,376
Accretion expense		7,410
Interest expense		12,301
Interest payment		-
Opening balance – February 28, 2019	**$**	**488,087**
Convertible debentures		-
Accretion expense		24,035
Interest expense		15,825
Interest payment		-
Balance – August 31, 2019	**$**	**527,947**

Total balances of promissory note and convertible debentures as of August 31, 2019, consist of the following:

	August 31, 2019	February 28, 2019
Promissory note	**$ 542,666**	$ -
Convertible Debentures	**527,947**	488,087
Opening balance – February 28, 2019	**$ 1,114,776**	$ 529,078

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

The unaudited condensed interim consolidated financial statements for the three and six month periods ended August 31, 2019 have been prepared with the assumption that the Company will continue operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the course of normal operations. They do not include any adjustments that may be required if it were not able to continue as a going concern. The Company's audited annual financial statements for the year ended February 28, 2019 contain an emphasis of matter paragraph in its audit opinion related to its ability to continue as a going concern. Management believes that actions currently being taken, which primarily involve increasing revenues, controlling expenses, and raising additional capital will allow the Company to achieve profitability and allow the Company to continue as a going concern.

Related Party Transactions

During the three and six month periods ended August 31, 2019 and 2018 the Company incurred accounting fees and office rental, which is included in accounting and office expense, of $41,850 and $83,700 (August 31, 2018 - $41,850 and $83,700), respectively, to a company with a common officer and director.

During the three and six month periods ended August 31, 2019 and 2018, the Company had the following transactions with shareholders, management and directors:

	Three Months Ended August 31,		Six Months Ended August 31,	
	2019	**2018**	**2019**	**2018**
Salaries and benefits	**$ 172,938**	$ 163,514	**$ 346,725**	$ 325,594
Consulting fees	**9,889**	9,786	**19,917**	19,536
	$ 182,827	$ 173,300	**$ 366,642**	$ 345,130

As at August 31, 2019, balances payable to the related parties noted above amounted to $388,923 (February 28, 2019 - $243,436) and are included in trade and other payables. These balances are unsecured, non-interest bearing and are due on demand.

During the three and six month periods ended August 31, 2019, operating working capital financing has been provided by a company with a common officer and director through a demand promissory note for $515,000 at an interest rate of 20% per annum, payable on demand.

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

Subsequent events

The Company is preparing documentation to close on a conversion of a portion of the Company's debt to equity, as well as on additional cash to finance operations in the coming months. The Company will be closing on these transactions contemporaneously and disclosures will be published accordingly.

Risk Factors

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