

PUDO INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED

FEBRUARY 28, 2021

(EXPRESSED IN CANADIAN DOLLARS)

Prepared by:

PUDO Inc.

**6600 Goreway Drive Unit D, Mississauga,
Ontario, Canada L4V 1S6**

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, 2021. 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 consolidated financial statements of PUDO Inc. for the year ended February 28, 2021 ("FY 2021"), 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 25, 2021, 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 and for 2020 it is February 29.

Further information about the Company 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 address possible future events, conditions and financial performance based upon management's current expectations, estimates, projections and assumptions.

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 favourable for funding and/or related parties discontinue

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Forward-looking statements	Assumptions	Risk factors
		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 ended February 28, 2021 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, 2021 have been prepared with the assumption that the Company will continue its operations 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 and controlling expenses 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 OTCQB Venture Market under the symbol "PDPTF".

Description of Business

PUDO's primary purpose is to improve the connection between e-commerce 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 have ordered online or drop off what they need to return. The Company deploys its software technology to provide consumers with convenient PUDOpoints (the "Network") to pick-up or drop-off ("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.

Overall Performance

Highlights

The World Health Organization declared a global emergency on January 30, 2020 as a result of the 2019 novel coronavirus ("COVID-19"), then characterized it as a pandemic on March 11, 2020. The outbreak spread globally causing companies and various jurisdictions, including Canada and the United States, to impose restrictions, such as quarantines, closures, cancellations, and travel restrictions including closing the Canada – United States border. While these effects were expected to be temporary, and although some vaccines are being approved and administered, the duration of the business disruptions and the related financial impact cannot be reasonably estimated at this time. PUDO's consolidated results in FY 2021 have been negatively impacted by this event. The impact and extent of the outbreak continues to be unknown and will depend on future developments. The Company's employees were able to work from home to manage the PUDO Network in support of its partners and customers.

The Company continued to focus on optimizing the PUDO Network to increase alignment with partner parcel volumes while leveraging the Network to develop new partner relationships and services that further enhanced revenue opportunities. These focused efforts resulted in new services being added and increased parcel volumes in PUDO's core revenue streams in the second half of this fiscal year. IT integration and enhancements remain a key focus as the Company looks to increase efficiencies, add new partners, and grow revenue. The Company is positioned well to add new partners for residential redirects, growing parcel volumes for direct to PUDOpoint deliveries, and add new revenue streams in the coming quarters. The Network remains uniquely positioned to offer cost effective convenient services for returns and to consumers who are looking for an alternative to home delivery.

During FY 2021, noteworthy highlights include:

- 📍 The Company launched a new pilot program with a large e-commerce retailer providing 100 Canadian PUDOpoint Counter locations that are displayed as available alternative delivery locations for the retailer's Canadian customers during the checkout process. As PUDOpoint Counter locations are recruited and added to the PUDO Network they will have the option to be displayed as an alternative delivery address for this internationally recognized e-commerce retailer.
- 📍 The Company continued to add PUDOpoint Counter locations in the USA for a large USA e-commerce retailer, bringing the total to over 600 PUDOpoint Counters that are displayed as available alternative delivery locations for the retailer's USA customer checkout process. The Company continues to recruit for

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this USA e-commerce retailer to expand the program further. With these locations, PUDO will eventually add their own PUDO services for additional parcel volume, resulting in additional revenue for both the Company and the PUDOpoint Counter locations.

- 📍 The Company and a large nationally recognized Canadian courier partner completed a phased launch process that onboarded an additional 240 PUDOpoint Counter locations available for Failed First Attempt and Direct to PUDO parcels for the courier's customers. By the end of FY 2021 the courier partner was utilizing 300 Canadian PUDOpoint locations.
- 📍 In July 2020, the Company launched a newly designed website including an enhanced [Investor section](#).
- 📍 Management continued to strategically invest in ongoing software development to enhance PUDO's current software technology and database structure to better manage API integration of PUDO's various new service offerings with current and new partners.
- 📍 In November 2020, the Company announced an agreement with The Salvation Army Thrift Store to utilize PUDO's GiveBackCanada.ca program. This partnership enables Canadians to ship their unwanted clothing and footwear to The Salvation Army Thrift Store from a PUDOpoint location at no cost by downloading a free shipping label and packing their donations in recycled cardboard boxes. By piggybacking on PUDO's existing returns logistics Network, donations are consolidated at the community level and shipped from major Canadian cities to regional warehouses for sorting and re-distribution to thrift stores.
- 📍 In February 2021, the Company announced the re-launch of its successful Kinek borderpoint parcel pick-up network, as a one-click, all-in, customs-cleared, delivery network for its thousands of Canadian members who, pre-COVID-19, relied on the network to receive US-sourced purchases and hold them for pick-up. The new all-in, touchless service launched in early March 2021. The cross-border service through its new Pay-As-you-GO (PAGO) platform, allows members to log-in as usual and then follow the prompts to purchase shipping credits, select a destination PUDOpoint for final delivery, and prepare a customs form for pre-authorization information for potential customs duties and taxes. The PUDO member portal enables the logistics for cross-border transit, customs-clearance, and neighborhood delivery to a local PUDOpoint Counter location.

Capital Activities

- 📍 In July 2020, the Company granted a total of 685,000 stock options that expire July 17, 2025. These stock options vest in 25% increments annually. 225,000 of the stock options were granted to directors of the Company at an exercise price of \$1.14 per common share. 135,000 of the stock options were granted to employees and consultants of the Company at a price of \$1.75 per common share. 325,000 of the granted stock options were issued to a consultant of the Company exercisable at a price of \$1.20 per common share.
- 📍 In August 2020, 35,000 options previously granted to an employee and consultants were exercised at \$1.20 per share. An option exercise payment for 20,000 options, was settled against \$24,000 in accounts payable that was owed to the option holder. For the remaining 15,000 options, the exercise payment was received in cash.
- 📍 Also in August 2020, 74,279 options previously granted to a director and a consultant were exercised at \$1.30 per share. An option exercise payment for 44,279 options, was settled against \$57,563 in accounts payable that was owed to the option holder. For the remaining 30,000 options, the exercise payment was received in cash. 11,250 options previously granted to a director were exercised at \$1.14 per share and received in cash. On August 31, 2020, 140,000 stock options previously granted expired.

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- In September 2020, a warrant holder exercised 8,620 warrants. As a result, 8,620 shares at the exercise value of \$5,948 were issued. The common shares and warrants were valued at \$7,930 and \$1,983, respectively.
- In October 2020, a warrant holder exercised 23,000 warrants. As a result, 23,000 shares at the exercise value of \$15,870 were issued. The common shares and warrants were valued at \$21,160 and \$5,289, respectively.
- In November 2020, a warrant holder exercised 48,685 warrants while allowing 84,648 remaining warrants to expire. As a result, 48,685 shares at the exercise value of \$26,290 were issued. The common shares were valued at \$35,053. The warrants that expired had a fair market value of \$14,991.
- In November 2020, a number of companies with a common director or officer exercised 88,889 warrants while allowing 1,826,666 remaining warrants to expire. As a result, 88,889 shares at the exercise value of \$48,000 were issued. The common shares were valued at \$64,000. The warrants that expired had a fair market value of \$338,506.
- In December 2020, warrant holders exercised 229,233 warrants while allowing 124,138 remaining warrants to expire. As a result, 229,233 shares at the exercise value of \$158,171 were issued. The common shares and warrants were valued at \$210,824 and \$52,624, respectively. The warrants that expired had a fair market value of \$24,368.
- In January 2021, warrant holders exercised 72,226 warrants while allowing 4,432,920 remaining warrants to expire. As a result, 72,226 shares at the exercise value of \$49,836 were issued. The common shares and warrants were valued at \$67,221 and \$17,385, respectively. The warrants that expired had a fair market value of \$1,034,130. In January 2018, the Company granted 108,000 stock options to consultants of the Company. The options were exercisable at a price of \$2.47 per common share and expired on January 28, 2021 and \$192,343 was classified to the deficit for the year ended February 28, 2021.

The proceeds from the exercise of warrants and options during FY 2021 continue to be used for general corporate purposes.

Operations

PUDO Parcel Analysis

Parcel volume and other factors within the e-commerce ecosystem affect PUDO's goals and performance during its growth phase.

While the Company continued to strategically manage the growth and development of the Network and new services throughout FY 2021, overall parcel volume in FY 2021 decreased by 6.3% compared to the year ended February 29, 2020 ("FY 2020") and overall parcel volumes during Q4 FY 2021 was flat as compared to Q4 FY 2020. During Q4 FY2021, partner shipments increased 28.7% over the same quarter in the previous year, while during the same time period member parcel volumes were down 82% as a result of the Canada-USA border closure to non-essential travel throughout FY 2021 due to the COVID-19 pandemic. In FY 2021, partner shipments increased 31.4% and represented 92% of the Company's total parcel volumes, up from 65% in the prior fiscal year.

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

- **Courier Pickup ("For Pickup" or "FPU"):** During FY 2021, PUDO continued to see exciting growth within the FPU service with parcel volume increasing approximately 537% over FY 2020, while during Q4 FY 2021 FPU parcel volume increased approximately 829% as compared to FPU volume in Q4 FY 2020. In sequential quarters, parcel volumes in Q4 FY 2021 compared to Q3 FY 2021 increased by 61%. These

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volumes have increased as PUDO's courier partners increased their utilization of the PUDOpoint Network in Canada enabling their customers to use PUDOpoints as drop off locations for pre-labeled parcels for courier pickup and delivery.

- **Failed First Attempt ("FFA"):** During FY 2021 total FFA parcel volume decreased by 19.6% relative to FY 2020, while during Q4 FY 2021 FFA parcel volume decreased 25.1% as compared to FFA parcel volume in Q4 FY 2020. This decrease was a result of customers working from home, during the COVID-19 pandemic, and being available to accept home deliveries safely and securely, thereby foregoing a redirect by the courier partner as a FFA to a PUDOpoint. In sequential quarters, parcel volumes in Q4 FY 2021 compared to Q3 FY 2021 increased by 6.9%. This compares to a parcel increase of 23.6% in the prior year between Q4 and Q3 FY 2020. This increase between these sequential quarters is related to an increase in online shopping during the holiday shipping season offset by customers being home to accept their parcels, reducing the requirement of redirects to PUDOpoint locations.
- **Third Party Logistics ("3PL"):** During FY 2021, 3PL parcel shipments increased by approximately 757% relative to the prior year, FY 2020, while during Q4 FY 2021 3PL parcel volume increased approximately 358% as compared to 3PL volume in Q4 FY 2020. In sequential quarters, 3PL parcel shipments in Q4 FY 2021 as compared to Q3 FY 2021 increased by approximately 27.8%. These volumes have increased as a result of increased online shopping and increased utilization by PUDO's carrier partners of this relatively new service that was first offered during Q4 FY 2020.
- **Returns:** During FY 2021 total returns increased by approximately 1027% as compared to the prior year FY 2020, while during Q4 FY 2021 returns increased approximately 123% as compared to returns parcel volume in Q4 FY 2020. In sequential quarters, returns parcel volume increased 8.5% in Q4 FY2021 over Q4 FY 2020. Throughout FY 2021, PUDO continued to develop the handling returns logistics program nationally. This increase was a result of PUDO's partners increasing additional client volumes as the value of this service offering provided by PUDO reduced costs for their clients.
- **Border Member:** During FY 2021 total member parcel volume decreased by 77.4% relative to FY 2020, while during Q4 FY 2021 the member parcel volume decreased by 82.5% as compared to member volume in Q4 FY 2020. In sequential quarters, parcel volumes in Q4 FY 2021 compared to Q3 FY 2021 decreased by 1.3%. This compares to a parcel increase of 2.4% in the prior year between Q4 and Q3 FY 2020. These decreases are primarily a result of the Canada-USA border closure to non-essential travel throughout FY 2021 due to the COVID-19 pandemic.
- **Pickup Counters:** As a result of a successful program with a large US e-commerce retailer that ran a pilot test program during Q4 FY 2020 and Q1 FY 2021, followed by another pilot test program in Canada during Q2 FY 2021, over 700 PUDOpoint Counter locations were available for alternative delivery options for the e-commerce retailer's customers. During FY 2021 Pickup Counter parcels increased by over 1,700% over FY 2020, while during Q4 FY 2021 Pickup Counter volume increased by over 750% as compared to Q4 FY 2020. In sequential quarters, Pickup Counter volume increased 28.4% compared to Q3 FY 2021.

As PUDO realizes its growth plan, it is expected that having a greater number of stakeholder partners and consumer members will minimize parcel volume losses and reduce dependence on specific carriers.

Financial Condition and Performance

The following table includes PUDO's financial highlights as at and for the years ended February 28, 2021, February 29, 2020, and February 28, 2019:

	As at / Year Ended February 28, 2021 \$	As at / Year Ended February 29, 2020 \$	As at / Year Ended February 28, 2019 \$
Total assets	1,393,448	2,468,321	480,633
Cash	749,708	2,038,493	50,639
Total liabilities	477,697	797,769	1,137,633
Deficit	(10,349,436)	(10,159,033)	(9,248,236)
Shareholders' (deficiency) equity	915,751	1,670,552	(657,000)
Revenue	1,671,171	1,121,430	832,885
Gross profit	504,247	606,419	562,055
Net loss and comprehensive loss	(1,824,135)	(2,004,186)	(3,387,819)
Loss per share basic and diluted	(0.07)	(0.08)	(0.18)
Working capital	749,867	1,545,969	(815,134)
Cash used in operating activities	(1,254,308)	(878,971)	(1,303,492)
Cash provided by financing activities	122,884	2,967,942	1,052,546

In FY 2021, the Company's revenues increased 49% relative to the prior fiscal year and incurred a net loss of \$1.8 million. Of the \$0.2 million reduction in the net loss relative to the previous year, approximately \$0.1 million was due to lower non-cash share-based compensation expense and \$0.1 million in reduced gross profit. Gross profit decreased 16.8% to \$0.5 million in FY 2021 relative to the previous year.

Cash used in operations in the year ended February 28, 2021 increased by \$0.4 million to \$1.2 million, due to the repayment of debt and administrative expenses incurred, relative to the previous year. Together with a total of \$0.1 million in cash flow provided by financing activities resulted in overall cash being decreased by \$1.3 million for the year ended February 28, 2021.

Trends

E-commerce continues to grow at breakneck speed, posting double-digit gains year-over-year since 2010 and surpassed \$431B in 2020, which represents over 15% of all retail spending in North America. The global pandemic which began at the beginning of fiscal year 2021, both fortified demand for and challenged execution of that growth, which scaled exponentially, carried primarily by major e-commerce retail Amazon with almost 40% share of e-commerce revenues in the United States. PUDO's gross revenues during this same period, grew by 49% as the global pandemic both fortified demand for and challenged execution of its services.

The 'click-and-collect' aspect of e-commerce logistics, which in summary represents the away from home 'parcel pick-up, drop-off, and return' model that PUDO embodies, grew by 38% in 2020, and is expected to double by 2022.

While individual retailers are not equipped to provide a North America wide click-and-collect network to facilitate consolidated two-way parcel traffic management, PUDO has been successful in building a Network framework to integrate with both individual online retailers, chain online retailers, and North America's largest online retailer, as well as their SaaS partners. Pilot projects with all stakeholder groups, which were initiated pre-pandemic, were both fortified and challenged during the pandemic, and are proving strategic in attracting the

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attention of new major stakeholder partners. As e-commerce grows both as a share of total retail spending, and as a B2C and B2B habit, the need for a carrier-neutral, national parcel pick-up, drop-off and return Network will grow with it. Delivery of services within the Network will continue to change and evolve, but given the wholesale departure from traditional retail, there could be no going back within the foreseeable future.

"I couldn't have imagined pandemic-fueled e-commerce when I envisioned a North America wide click-and-collect Network," says PUDO CEO Frank Coccia. "I can admit however, that it forced change that should ultimately, accelerate growth and profitability of the Company."

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, 2021, February 29, 2020, and February 28, 2019:

	As at / Year Ended February 28, 2021 \$	As at / Year Ended February 29, 2020 \$	As at / Year Ended February 28, 2019 \$
Total assets	1,393,448	2,468,321	480,633
Cash	749,708	2,038,493	50,639
Total liabilities	477,697	797,769	1,137,633
Deficit	(10,349,436)	(10,159,033)	(9,248,236)
Shareholders' (deficiency) equity	915,751	1,670,552	(657,000)
Revenue	1,671,171	1,121,430	832,885
Gross profit	504,247	606,419	562,055
Net loss and comprehensive loss	(1,824,135)	(2,004,186)	(3,387,819)
Loss per share basic and diluted	(0.07)	(0.08)	(0.18)

Year ended February 28, 2021 compared with the year ended February 29, 2020:

The Company's net loss was \$1.8 million for the year ended February 28, 2021, with basic and diluted loss of \$0.07 per share. This compares with a net loss of \$2.0 million with basic and diluted loss of \$0.08 per share for the year ended February 29, 2020 and a net loss of \$3.4 million with basic and diluted loss of \$0.18 per share for the year ended February 28, 2019.

The decrease of \$0.2 million in the net loss for the year ended February 28, 2021 relative to the prior year was principally because:

- Revenues increased by approximately \$0.55 million to \$1.7 million in FY 2021 relative to the previous year representing a 49.0% increase, owing primarily to significant increases in FPU, 3PL, and returns parcel volume, offset by a 77.4% decrease in member shipments due to the closure of the USA-Canada border.
- Gross profit of \$0.5 million for the year ended February 28, 2021 decreased \$0.1 million, or 16.8%, relative to the prior year. As a percentage of revenue, the gross profit in FY 2021 decreased to 30.1%, down from 54.1% in the prior year. This is primarily related to the shift of revenue from border member shipments towards lower margin partner shipments. The direct costs associated with partner shipments are greater.
- The Company had administrative expenses of \$1.8 million during the year ended February 28, 2021 compared to \$1.9 million in the prior year representing a 2.9% decrease. The decrease was primarily a result of the receipt of the Canada Emergency Wage Subsidy totalling \$125,182 in FY 2021 and decreased consulting fees offset by increased investor relations costs.

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- ☉ The Company incurred \$0.5 million in non-cash share-based compensation during the year ended February 28, 2021 in comparison with \$0.6 million during the year ended February 29, 2020.

Year ended February 29, 2020, compared with the year ended February 28, 2019:

The Company's net loss was \$2.0 million for the year ended February 29, 2020, with basic and diluted loss of \$0.08 per share. This compares with a net loss of \$3.4 million with basic and diluted loss of \$0.18 per share for the year ended February 28, 2019.

The decrease of \$1.4 million in the net loss in the year ended February 29, 2020 relative to the prior year was principally because:

- ☉ Revenues increased by approximately \$0.3 million to \$1.1 million in FY 2020 relative to the previous year representing a 34.6% increase, owing primarily to a significant increase in FFA parcel volume and new PUDO services launched in FY 2020 offset by a 10.9% decrease in member shipments.
- ☉ Gross profit of \$0.6 million for the year ended February 29, 2020 increased \$0.04 million relative to the prior year representing an 7.9% increase. As a percentage of revenue, the gross profit in FY 2020 decreased to 54.1%, down from 67.5% in the prior year. This is related to the shift of revenue from border member shipments towards partner shipments. The direct costs associated with partner shipments are greater.
- ☉ The Company had administrative expenses of \$1.9 million during the year ended February 29, 2020 compared to \$2.2 million the prior year representing a 13.6% decrease. The decrease was primarily a result of decreases in salaries due to changes in management personnel and departed employees not being replaced compared with the prior year.
- ☉ The Company incurred \$0.6 million in non-cash share-based compensation during the year ended February 29, 2020 in comparison with \$1.7 million during the year ended February 28, 2019.

The consolidated statements of financial position of the Company as at February 28, 2021, and February 29, 2020, and February 28, 2019 were as follows:

	As at February 28, 2021 \$	As at February 29, 2020 \$	As at February 28, 2019 \$
Current assets	1,227,564	2,330,693	261,874
Non-current assets	165,884	137,628	218,759
Total assets	1,393,448	2,468,321	480,633
Current liabilities	477,697	784,724	1,077,008
Long-term liabilities	-	13,045	60,625
Total liabilities	477,697	797,769	1,137,633
Share capital	9,060,580	8,260,886	6,001,685
Warrant reserve	-	1,499,079	83,944
Stock option reserve	2,204,607	2,069,620	2,473,983
Equity component of convertible debentures	-	-	31,624
Deficit	(10,349,436)	(10,159,033)	(9,248,236)
Shareholders' equity (deficiency)	915,751	1,670,552	(657,000)
Total liabilities and shareholders' (deficiency) equity	1,393,448	2,468,321	480,633

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The Company started operations in 2015 and has historically incurred operating losses associated with its expansion, as reflected by 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.

Current liabilities as at February 28, 2021 decreased due to several outstanding payables being paid. Long term liabilities in the form of loans and borrowings decreased as at February 28, 2021 to \$0.0 million as the remaining portion of the long term liabilities relating to 640624 N.B. Ltd. ("Kinek") became current liabilities in FY 2021 due to cash payments of approximately \$54,000 made in FY 2021 as a result of PUDO purchasing certain assets and liabilities of Kinek in March 2016, of which the total loans and borrowings assumed at that time 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)		Gross Profit (\$)	Admin Expenses (\$)	Non-Cash Share Based Compensation (\$)	Finance Costs (\$)
		Total (\$)	Per Share (Basic & Diluted) (\$)				
2021-Feb. 28	602,765	(616,498)	(0.02)	158,021	(465,249)	(308,465)	(805)
2020-Nov. 30	485,087	(544,835)	(0.02)	141,861	(604,558)	(80,874)	(1,264)
2020-Aug. 31	269,685	(336,268)	(0.01)	99,889	(355,214)	(78,223)	(2,720)
2020-May 31	313,633	(329,178)	(0.01)	104,476	(388,038)	(39,351)	(6,265)
2020-Feb. 29	398,913	(380,708)	(0.02)	163,368	(384,723)	(140,676)	(18,677)
2019-Nov. 30	277,567	(440,899)	(0.02)	154,701	(407,419)	(149,418)	(38,763)
2019-Aug. 31	229,971	(582,969)	(0.03)	143,748	(512,730)	(153,789)	(60,198)
2019-May 31	214,979	(599,610)	(0.03)	144,602	(599,935)	(153,789)	(30,488)

Revenue and gross profit have fluctuated over the past eight quarters as a result of new partners using the PUDO Network and additional new services in late Q4 FY 2020 that were utilized in Q3 and Q4 FY 2021. Also, the general increase in consumer e-commerce demand directly effects courier volumes and typically results in higher volumes leading into the Christmas season which was offset by customers working from home during the COVID-19 pandemic. The net loss is directly affected by revenues, gross profit, non-cash stock compensation expense as well as the level of administrative expenses, which was impacted by the receipt of the Canada Emergency Wage Subsidy in FY 2021.

Overall Objectives

The Company remains committed to broadening its customer base as it gains experience with integrating new customers and revenue programs. This focus is with the expectation of growing revenues to cover the Company's Network operating overhead costs.

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

After a tumultuous year of growth, reinterpretation, and reinvention to both survive and advantage a global pandemic, PUDO enters a new fiscal year with high expectations that the partnerships, pilots, lessons, and confidences built and experienced over the past several years will continue to consolidate, as the PUDO Network continues to expand throughout North America.

The global pandemic changed retail and consumer buying behaviour forever. What was an anomaly has become business as usual, and for PUDO this only underscored the need for a click-and-collect Network as such exists in the UK and western Europe. The Company's foresight in partnering with major e-commerce retailers, leading parcel returns SaaS companies, major carriers, and major bricks-and-mortar alliances over the course of the past five years confirms management insight, setting PUDO apart from and ahead of unconsolidated logistics plays.

Close to 1,200 PUDOpoint Counters locations are currently managing parcels in Canada and the United States, with more networked and ready for activation. The creation of this Network, by a small and stealth team was a major accomplishment and bodes well for the Company's ability to scale quickly with extraordinarily low capital investment per location. By utilizing a strategic formula that combines low-cost/low-margin parcel traffic to illustrate efficiencies, and low-cost/high-margin parcel traffic attracted by aforementioned efficiencies, to fuel profitability, the Company should be able to scale impressively moving forward.

"It has been a challenge to communicate the many victories and successes of this past year to shareholders, while under NDA embargoes with pilot and stakeholder partners, and while successfully negotiating a pandemic, I am extraordinarily pleased that the PUDOpoint Network is growing as quickly in reputation and level of service provided, as it is in number of locations. Given the nature, scale, and progress of business development currently, I am confident that fiscal year 2022 will be pivotal for the Company, and that we can continue turning our attention to our brand and to building awareness," says Frank Coccia.

"We spent considerable time and attention re-building our online frontline and back-of-house technologies this past year, enabling quick and efficient integration with partners, and online shoppers. In tandem with growing our Network, we can now step out with confidence and grow our B2C and B2B membership base to drive traffic back through our own Network, earning per-parcel revenues for the Company, for PUDOpoint operators, and for our loyal stakeholder partners. I look forward to sharing much good news with shareholders, these next many months", concludes Coccia.

Subsequent to year end, the spread of COVID-19 continues to impact many local economies around the globe. In many countries, including Canada and the U.S.A., businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced volatility. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

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As of May 26, 2021, the Company has been impacted by COVID-19 through temporary closure of some of the PUDOpoints as well as customers being at home to accept their parcels, thereby reducing the number of failed first delivery attempts being brought to PUDOpoints. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government imposed restrictions remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Company for future periods.

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. As at February 28, 2021, the Company had a working capital surplus of \$749,867 (2020 – \$1,545,969), had not yet achieved profitable operations, had used cash in operating activities of \$1,254,308 for the year ended February 28, 2021 (2020 - \$878,971), had a deficit of \$10,349,436 as at February 28, 2021 (2020 - \$10,159,033) and had shareholders' equity of \$915,751 (2020 – \$1,670,552). The losses were primarily the result of expenditures in attracting customers and 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 a 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 25, 2021, the Company has (i) 27,117,584 common shares outstanding; (ii) no warrants available for exercise; and (iii) 2,412,417 stock options exercisable for the purchase of 2,412,417 common shares.

Liquidity and Capital Resources

As noted in "Selected Annual 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 and get to a sustainable level of profitability.

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 doubts 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.

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

(a) Loans

	2021	2020	2019
Loan payable (Atlantic Canada Opportunities Agency)			
3 instalments repayable at \$4,458 per month	\$ 13,374	\$ 66,870	\$ 120,366
Less: Discount on future contractual cash flows	329	6,244	18,750
	13,045	60,626	101,616
Less: Current portion	13,045	47,581	40,991
	\$ -	\$ 13,045	\$ 60,625

Future repayments on the borrowings as at February 28, 2021 include the following:

March 1, 2021 to June 22, 2021	\$ 13,045
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The acquired loans and borrowings assumed on March 3, 2016, as part of the purchase of Kinek are repayable to Atlantic Canada Opportunities Agency. The loan is unsecured and non-interest bearing and repayable in 15 instalments of \$4,458 per month. Interest equal to 3% higher than the average Bank of Canada discount rate for the previous month is charged on any overdue balances. The present value of 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 \$5,910 (February 29, 2020 - \$12,500) for the Kinek loan during the year ended February 28, 2021. The rate used in determining the appropriate present value of the borrowings was subject to management estimation.

(b) Promissory Note

During FY 2021 the \$232,855 balance of the promissory note including accrued interest was fully repaid in Q1 FY 2021.

Opening balance – February 28, 2019	\$ -
Promissory note	591,000
Interest expense	63,460
Interest payment	-
Partial settlement of promissory note	(425,000)
Balance – February 29, 2020	\$ 229,460
Repayment of promissory note	(229,460)
Balance – February 28, 2021	\$ -

A summary of the cash flows and essential components thereof for the years ended February 28, 2021 and February 29, 2020 are outlined below.

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Details	As at / year ended Feb. 28, 2021 (\$)	As at / year ended Feb 29, 2020 (\$)	Comments
Total assets	1,393,448	2,468,321	
Cash & cash equivalents	775,212	2,063,861	<i>Includes restricted cash of \$25,504</i>
Working capital surplus	749,867	1,545,969	<i>Includes non-cash working capital</i>
Cash flows used in operating activities (including non-cash)	(1,254,308)	(878,971)	<i>Increase attributable to a increase in the operating loss offset by increase in trade and other receivables and a decrease in trade and other payables as at Feb. 28, 2021.</i>
Cash flows used in investing activities	(119,959)	(72,497)	<i>Increased FY 2021 cash outflows a result of an increase investment in software technology.</i>
Cash provided by financing activities	122,884	2,967,942	<i>Net proceeds from exercised options and warrants and repayment of loan during FY2021.</i>

Significant accounting policies

(a) Changes in accounting standards

There were no new accounting standards that affected the current year's consolidated financial statements.

(b) Foreign currencies

The functional currency of the Company and two of its subsidiaries, Grandview Gold (USA) Inc., and Recuperacion Realzada, S.A.C, is the Canadian dollar. The functional currency of PUDOpoint Inc. is the United States dollar ("USD"). 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.

In situations where the functional currency is not the same as the presentation currency, foreign currency denominated assets and liabilities are translated to their presentation currency equivalents using foreign exchange rates in effect at the consolidated statement of financial position date. Revenues and expenses are translated at average rates of exchange during the period. Exchange gains or losses arising on the consolidation of the Canadian subsidiary are included in accumulated other comprehensive income.

(c) Revenue recognition

To determine the amount and timing of revenue to be recognized, the Company follows a 5-step process:

1. Identifying the contract with a customer;
2. Identifying the performance obligations;
3. Determining the transaction price;

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4. Allocating the transaction price to the performance obligations; and
5. Recognizing revenue when/as performance obligation(s) are satisfied.

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 when (i) a courier cannot deliver a parcel to a residential customer, they may choose to drop the parcel off at a PUDOpint; and (ii) consumers choose to have their parcels delivered directly to a KinekPoint or PUDOpint.

In each event, the Company recognizes revenue when the parcel has arrived at the PUDOpint or KinekPoint 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.

(d) 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.

(e) Intangible assets

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

(f) 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 statements of loss and comprehensive loss.

(g) Financial instruments

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

Financial assets

Recognition and Initial Measurement

Financial assets and financial liabilities are recognised in the consolidated financial statements when the Company becomes party to the contractual provision of a financial instrument. Trade receivables are initially measured at the transaction price. Cash, restricted short-term investments and other amounts receivable are initially measured at fair value.

Classification and Subsequent Measurement

The Company classifies financial assets, at the time of initial recognition, according to the instrument's attributes and the contractual terms of the cash flows. They are classified to be subsequently measured at amortized cost or fair value through profit or loss ("FVTPL"). The objective of the financial assets is to hold them and contractual cash flows are solely payments of principal and interest on the outstanding principal amount. Therefore, subsequent measurements are made at amortized cost.

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 the provision is recorded in profit or loss.

At each reporting date, the Company assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Impairment losses on assets carried at amortized cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognized in profit or loss and reflected in an allowance 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 amortized cost. Trade and other payables, and 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, and loans and borrowings 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).

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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.

(h) 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 stock option reserve notes in the financial statements.

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.

(i) 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.

(j) 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 (loss).

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.

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(k) 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. Since the stock options held at the year ended February 28, 2021 and February 29, 2020 were anti-dilutive, they have been excluded from the diluted loss per share calculation.

(l) Short-term investments

Short-term investments are comprised of guaranteed investment certificates with original maturities of greater than three months and up to one year. As at February 28, 2021 and February 29, 2020, the restricted 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.

(m) 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.

Financial information about the operating segment is reported to the CODM on at least a monthly basis. As the operations comprise a single segment, amounts disclosed in the consolidated financial statements also represent segment amounts.

Related Party Transactions

During the year ended February 28, 2021, the Company incurred bookkeeping fees and office rental, which is included in accounting and office expense, of \$116,248 (2020 - \$144,240) to a company with a common officer and director.

During the years ended February 28, 2021 and February 29, 2020, the Company had the following transactions with shareholders, management and directors:

	2021	2020
Share-based compensation	\$ 506,913	\$ 597,672
Salaries and benefits	175,735	448,828
Consulting fees	44,892	67,210
	\$ 727,541	\$ 1,113,710

As at February 28, 2021, balances payable to the related parties noted above amounted to \$3,899 (2020 - \$140,313) and are included in trade and other payables. These balances are unsecured, non-interest bearing and due on demand.

As described in the loans and borrowings as at February 29, 2020 the remaining balance of a promissory note in the amount of \$229,461, including interest at an annual interest rate of 20% was issued to a company with a common director and officer of the Company. In March 2020, the promissory note, including accrued interest was repaid in full.

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

Financial Risk Management

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

(a) Fair values

The carrying amounts of cash, trade and other receivables, restricted short-term investment, trade and other payables and loans and borrowings approximate their fair values, given their short term nature.

(b) Financial risk factors

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

The Board of Directors of the Company (the "Board") 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 trade and other receivables. The extent of the Company's exposure to credit risk is approximated by the carrying values 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.

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	2021	2020
Revenue from one customer	\$ 935,704	\$ 611,780
% of total revenue	56%	55%
Account receivable from one customer	\$ 125,485	\$ 107,189
% of total accounts receivable	33%	60%

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

	2021	2020
Cash	\$ 749,708	\$ 2,038,493
Restricted short-term investment	25,504	25,378
Trade and other receivables	377,962	213,701
	\$ 1,153,174	\$ 2,277,572

(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, including interest, where applicable:

As at February 28, 2021	1 Year or Less	Greater than 1 year	Total
Trade and other payables	\$ 463,992	\$ -	\$ 463,992
Loans and borrowings	13,373	-	13,373
	\$ 477,365	\$ -	\$ 477,365
As at February 29, 2020	1 Year or Less	Greater than 1 year	Total
Trade and other payables	\$ 507,683	\$ -	\$ 507,683
Loans and borrowings	282,952	13,373	296,325
	\$ 790,635	\$ 13,373	\$ 804,008

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.

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Revenue by geographic region is as follows:

	2021	2020
Canada	\$ 1,404,830	\$ 833,558
United States of America	266,341	287,782
	\$ 1,671,171	\$ 1,121,430

(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 foreign exchange rate. The Company also has revenue and expenses in both Canadian 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, 2021 and February 29, 2020, the Company had cash, trade and other receivables and trade and other payables denominated in US dollars as follows:

As at February 28, 2021	USD	CAD
Cash	\$ 35,524	\$ 45,062
Trade and other receivables	120,257	152,546
Trade and other payables	(66,522)	(84,384)
	\$ 89,259	\$ 113,225

As at February 29, 2020	USD	CAD
Cash	\$ 313,555	\$ 421,073
Trade and other receivables	30,456	40,899
Trade and other payables	(49,908)	(67,021)
	\$ 294,103	\$ 394,951

(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.

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The Company defines capital as shareholders' equity and loans and borrowings. As at February 28, 2021, the Company had shareholders' equity of \$915,751 (2020 – \$1,670,552) and loans and borrowings of \$13,705 (2020 - \$290,086).

The Company's capital management objectives, policies and processes have remained materially unchanged during the years ended February 28, 2021 and February 29, 2020.

(vii) Sensitivity analysis

Based on management's knowledge and experience in the financial markets, the Company believes the following movements are reasonably possible over the year. Sensitivity to a plus or minus 1% change in the US–Canadian dollar foreign exchange rate, based on the US dollar denominated balances as at February 28, 2021, would affect the net loss by approximately \$1,200 during the year.

Risk Factors

Financing

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. Failure to obtain sufficient financing may result in delaying or the indefinite postponement of the growth strategy into the other services and markets 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 favourable or that there will not be significant fluctuations that adversely affect the economy as a whole or the key markets that the Company targets.

Since March 2020, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses are being forced to cease or limit operations for long and indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic shutdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilized economic conditions.

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

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financial statements present fairly 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, which follow 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, 2021 and February 29, 2020 are as follows:

Cost of sales	Year Ended February 28, 2021	Year Ended February 29, 2020
External processing charges	\$ 1,157,549	\$ 503,713
Computer and web access charges	9,375	11,298
Total cost of sales	\$ 1,166,924	\$ 515,011

Administrative expenses	February 28, 2021	February 29, 2020
Salaries and benefits	\$ 875,565	\$ 875,207
General and administrative expenses	243,209	179,603
Investor relations	187,377	54,380
Travel, promotion and business development	182,657	147,425
Accounting and office	116,248	144,240
Consulting fees	115,460	192,010
Amortization	91,703	153,628
Professional fees	81,022	79,196
Agent and filing fees	51,704	42,636
Foreign exchange (gain) loss	(9,347)	(3,518)
Canada emergency wage subsidy	(125,182)	-
Total administrative expenses	\$ 1,810,415	\$ 1,864,807