

PUDO INC.

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS

QUARTERLY HIGHLIGHTS

FOR THE THREE AND NINE MONTH PERIODS ENDED

NOVEMBER 30, 2022 and 2021

(EXPRESSED IN CANADIAN DOLLARS)

Prepared by:

PUDO Inc.

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Interim Management's Discussion & Analysis - Quarterly Highlights
Three and nine month periods ended November 30, 2022
Discussion dated: January 4, 2023

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 nine month periods ended November 30, 2022 (“Q3 FY 2023”), 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 nine month periods ended November 30, 2022, the audited annual consolidated financial statements of the Company for the years ended February 28, 2022, and February 28, 2021, together with the notes thereto, and the Management's Discussion and Analysis (“Annual MD&A”) Report of the Company for the year ended February 28, 2022. All dollar amounts are expressed in Canadian dollars unless otherwise noted.

The Company's unaudited condensed interim consolidated financial statements and financial information contained in this MD&A are prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the IFRS Interpretations Committee (“IFRIC”).

The Company's fiscal year end is February 28.

Further information 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 and consumers. PUDO deploys their technology to provide consumers with convenient locations to Pick-Up or Drop-Off (“PUDO” or “Network”) e-commerce parcels. Through collaboration with online retailers, third party logistics companies (“3PL”), Software as a Service (“SaaS”) providers 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™ (“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 and drop-off (“PUDO”) e-commerce parcels.

The Company'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.

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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 related 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 22, 2022.

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

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 impact and extent of the outbreak continues to be unknown and will depend on future developments. Most of the Company's employees continue to work from home to manage the PUDO Network in support of its partners and customers.

Below are a few Company highlights during Q3 FY 2023:

- 📍 For the nine months ended November 30, 2022, revenue increased \$1,405,632 to \$2,917,976 representing a 92.9% increase over the same period in the prior year primarily as a result of the increased utilization of the PUDO returns and consolidation services.
- 📍 Management continued to invest in ongoing software development to enhance PUDO's current software technology and database structure to better manage API integration of PUDO's existing and new service offerings with current and new partners. This included the ongoing enhancements to the PUDO Label returns service ("PUDO Label") that enables retailers' customers to print a return label for previously ordered products to drop off the return package at a PUDOpoint Counter location for an efficient and cost-effective consolidated pickup and returns process for the retailers.

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Capital Resources

In October 2022, a consultant exercised their stock options. As a result, an option exercise payment for 21,111 options was settled against \$27,440 in accounts payable that was owed to the consultant. A total of 21,111 common shares were issued.

Operations

PUDOpoint Network

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 enhance revenue opportunities. These focused efforts resulted in a new service being added and increased parcel volumes in PUDO's core revenue streams in the first half of this fiscal year from many of its current partners. IT integration and enhancements remain a strategic focus as the Company looks to increase efficiencies, add new partners, and grow revenue. Through strategic partnerships the Company is positioned well to add new PUDOpoint locations in Canada and the USA. This will provide new e-commerce retail partner locations for residential redirects, increased parcel volumes for direct to PUDOpoint deliveries, and add new revenue service offerings 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.

Parcel Volume Analysis

Parcel volume and other factors within the e-commerce ecosystem can affect PUDO's goals and performance during its continued growth and evolution. During Q3 FY 2023 the COVID-19 pandemic impacted overall parcel volume being delivered within the PUDO Network. With many businesses shut down or working at reduced capacity and employees working from home, first time delivery failures decreased as someone was home to accept packages reducing the requirement for an alternative delivery location. PUDO's Network is comprised mainly of convenience stores that were deemed essential services. This allowed PUDO's partners to successfully utilize alternative delivery locations when they did require the Network. The PUDOpoints supported their local communities as a safe haven for parcel deliveries.

While the Company continued to strategically manage the growth and development of the Network throughout Q3 FY 2023, overall parcel volumes increased by 122.6% compared to the three month period ended November 30, 2021 ("Q3 FY 2022"). In sequential quarters, overall parcel volumes in Q3 FY 2023 as compared to Q2 FY 2023 decreased 1.9%. During this quarter, Q3 FY 2023, partner shipments increased 120.7% over the same quarter in the previous year and during the first nine months partner shipments increased 103.8% compared to same period in the prior year. During the same three month period, member shipment volumes increased 153.3% relative to the year earlier quarter as a result of the Canada-USA border reopening with limited restrictions. In Q3 FY 2023, partner shipments represented 93.4% of the Company's total volumes, down from 94.2% in the same quarter in the prior fiscal year.

During the nine months ended November 30, 2022, overall parcel volumes increased by 106.5% relative to the nine months ended November 30, 2021, primarily as a result of increases in shipments in services that were previously launched or enhanced during the nine months ended November 30, 2022.

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

- 📍 ***Returns and For Pickup ("RFPU")***: During Q3 FY 2023, PUDO continued to see growth within the RFPU service with parcel volumes increasing by 508.2% compared to Q3 FY 2022. These volumes increased as PUDO's courier partners increased their utilization of the PUDOpoint Network in Canada enabling their customers to use PUDOpoints locations as drop off sites for pre-labeled parcels for courier pickup, consolidation and delivery. In sequential quarters, RFPU parcel volumes

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in Q3 FY 2023 as compared to the period ended August 31, 2022 ("Q2 FY 2023") decreased by 4.1%. During the nine months ended November 30, 2022, RFPU parcel volumes increased 395.9% relative to the nine months ended November 30, 2021, as PUDO courier partners utilized the PUDOpoint Counters Network to offer a lower cost returns option to their e-commerce retailers using their courier services for returns.

- **Failed First Attempts ("FFA"):** During Q3 FY 2023, total FFA parcel volumes increased by 5.3% relative to Q3 FY 2022. In sequential quarters, parcel volumes in Q3 FY 2023 compared to Q1 FY 2022 increased by 3.0%. This increase between these sequential quarters is most likely related to the reduced impact of COVID-19 and customers returning to work offices and not home to accept their parcels, increased the requirement of redirects to PUDO locations. During the nine months ended November 30, 2022, FFA parcel volumes increased 2.6% relative to the nine months ended November 30, 2021.
- **Third Party Logistics ("3PL"):** During Q3 FY 2023, 3PL parcel shipments increased by 13.5% over the prior year, Q3 FY 2022. The increase is a result of PUDO partners increasing the volume of parcel shipments that utilize PUDO's preferred shipping rates. In sequential quarters, 3PL parcel shipments in Q3 FY 2023 as compared to Q2 FY 2023 increased by 23.9%. During the nine months ended November 30, 2022, 3PL parcel volumes decreased 11.4% relative to the nine months ended November 30, 2021. This decrease may have been a result of reduced shipping to remote locations due to transportation costs and significant fuel surcharge fees.
- **Border Member:** During Q3 FY 2023 total member parcel volumes increased by 153.3% relative to Q3 FY 2022. In sequential quarters, parcel volumes in Q3 FY 2023 compared to Q2 FY 2023 increased by 1.8%. During the nine months ended November 30, 2022, border member parcel volumes increased by 154.4% relative to the nine months ended November 30, 2021. These increases are a direct result of reduced COVID-19 restrictions and the reopening of the Canada – USA border.
- **Pickup Counters:** Over 700 PUDOpoint Counter locations are available as "Hub Counters" in the USA and Canada as alternative delivery options for online shopping customers of a large US and Canada e-commerce retailer. These Hub Counters provide a location for safe and secure storage for parcels for pickup by the customer. During Q3 FY 2023 total Pickup Counter parcel volumes increased by 35.1% relative to Q3 FY 2022. The increase is a result PUDOpoint locations now being fully utilized by the retailer's customers during checkout. In sequential quarters, Pickup Counter parcel volumes in Q3 FY 2023 as compared to Q1 FY 2022 decreased by 4.3%. During the nine months ended November 30, 2022, Hub Counter parcel volumes increased by 34.5% relative to the nine months ended November 30, 2021.

As PUDO continues to expand and maintain its services, a greater number of stakeholder partners and consumer members will minimize parcel losses and reduce dependence on specific carriers as PUDO provides a courier agnostic network of locations.

Outlook

PUDO continues to leverage its Canadian PUDOpoint network to meet the growing demand for the PUDO Label return services from its partners. The Company is doing this by making the drop off network available for multiple partners and their online retail customers. This is increasing PUDOpoint revenue per store and helping diversify the partners that utilize the services across network locations. With the success of the PUDO Label returns service in Canada, the Company is working with a current partner to expand the service in the United States by leveraging the available USA PUDOpoint Network currently being used for customers that want to ship directly to a PUDOpoint from their retailer's checkout process providing a safe and secure delivery location for online ecommerce purchases.

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Financial Condition and Performance

Financial Performance

A summary of selected financial information for the three and nine month periods ended November 30, 2022 and 2021 is included below:

PUDO Inc.

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

	Three Months Ended November 30,		Nine Months Ended November 30,	
	2022	2021	2022	2021
Revenue	\$ 1,023,889	\$ 549,063	\$ 2,917,976	\$ 1,512,344
Cost of sales	(619,122)	(392,353)	(1,783,961)	(1,058,694)
Gross profit	404,767	156,710	1,134,015	453,650
Administrative expenses	(381,654)	(417,503)	(1,092,170)	(1,294,352)
Share-based compensation*	(49,817)	(35,185)	(252,907)	(175,927)
Operating loss	(26,704)	(295,978)	(211,062)	(1,016,629)
Finance costs	-	-	-	(333)
Net loss and comprehensive loss for the period	\$ (26,704)	\$ (295,978)	\$ (211,062)	\$ (1,016,962)
Loss per share - basic and diluted	\$ (0.00)	\$ (0.01)	\$ (0.01)	\$ (0.04)

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

During the three month period ended November 30, 2022, revenue was \$1,023,889 (November 30, 2021 - \$549,063), representing an increase of 86.5% over the same period last year primarily due to new partner volumes and the successful sale of additional PUDO services to other partners. For the nine months ended November 30, 2022, revenue increased \$1,405,632 to \$2,917,976 representing a 92.9% increase over the same period in the prior year as a result of the increase in FFAs, RFPU's, and Border Member PUDO services.

Gross profit for the three month period ended November 30, 2022, was \$404,766 (November 30, 2021 - \$156,710) representing an increase of \$248,056 or 158.3% over the same period last year. Gross profit for the nine month period ended November 30, 2022, was \$1,134,015 (November 30, 2020 - \$453,650) representing an increase of \$680,365 or 150.0% over the same period in the prior year. These increases are a result of increased use of PUDOpoint Counters by courier partners and the associated costs associated with consolidation and shipping fees.

During the three month period ended November 30, 2022, the Company reported a net loss of \$26,705 (\$0.00 basic and diluted loss per share), a decrease of \$269,273 compared with a net loss of \$295,978 (\$0.01 basic and diluted loss per share) in the corresponding quarter in the prior fiscal year. Most of this decreased loss was attributable to an increase in revenues and gross profit, along with a decrease in administrative expenses.

The net loss for the nine months ended November 30, 2022 was \$211,062 (\$0.01 basic and diluted loss per share), a decrease of \$805,900 from a net loss of \$1,016,629 (\$0.04 basic and diluted loss per share) in the corresponding nine months in the prior fiscal year, primarily due to a decrease in salary and benefits

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costs and administrative expenses overall and non-cash share-based compensation, offset by increased revenues and gross profit relative to the corresponding period of the prior fiscal year.

Administrative expenses for the three and nine month periods ended November 30, 2022, were \$381,654 and \$1,092,170 (November 30, 2021 - \$417,503 and \$1,292,170), respectively, representing a decrease relative to the corresponding periods in the prior fiscal year. These cost decreases relate primarily to the impact of the decreased salary and benefits costs during the three and nine month periods as compared to the prior year.

Non-cash share-based compensation for the three and nine month periods ended November 30, 2022, was recorded as \$49,817 and \$252,907 (November 30, 2020 - \$35,185 and \$175,927), respectively, representing an overall increase relative to the corresponding periods in the prior fiscal year primarily due to an issuance of options in March 2022.

Financial Condition

As at November 30, 2022, the Company had total assets of \$794,806 (February 28, 2022 - \$661,714). This increase was primarily attributed to the reduced costs associated with operations.

As at November 30, 2022, the Company had a working capital deficit of \$28,833 (February 28, 2022 – \$142,575), had not yet achieved profitable operations, had received cash in operating activities of \$136,065 for the nine-month period ended November 30, 2022 (November 30, 2021 - cash used in operating activities of \$584,542), had a deficit of \$9,556,011 as at November 30, 2022 (February 28, 2022 - \$11,211,108) and had shareholders' equity of \$17,482 (February 28, 2022 – deficit of \$51,807). These conditions reflect material uncertainties which cast significant doubt about the Company's ability to continue as a going concern. 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.

Cash Flows

At the nine months ended November 30, 2022, ending cash was \$265,181 (November 30, 2021 – \$154,380) with \$136,065 cash received (November 30, 2021 – (\$584,542)) from operating activities, nil cash was used in investing activities (November 30, 2021 – (\$6,852)) and nil cash was used in financing activities (November 30, 2021 – (\$13,045)). The effects of translation of foreign currency was (\$5,634) (November 30, 2021 – \$9,111).

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 through convertible debentures, promissory notes and equity financings. The Company's outstanding loans and borrowings as at November 30, 2022 are fully repaid.

Related Party Transactions

During the three and nine month periods ended November 30, 2022, and 2021, the Company incurred accounting fees and office rental, which are included in accounting and office expense, of \$4,068 and \$12,204 (November 30, 2021 - \$10,350 and \$42,865), respectively to a company with a common officer and director.

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During the three and nine month periods ended November 30, 2022, and 2021, the Company had the following transactions with shareholders, management and directors:

	Three Months Ended		Nine Months Ended	
	November 30,		November 30,	
	2022	2021	2022	2021
Share Based Compensation	\$ 49,817	\$ 35,185	\$ 252,907	\$ 175,927
Salaries and benefits	47,778	37,089	154,165	132,514
Consulting fees	10,234	9,675	30,803	19,746
	\$ 107,829	\$ 81,949	\$ 437,875	\$ 328,187

As at November 30, 2022, balances payable to the related parties noted above amounted to \$33,133 (February 28, 2022 - \$25,186) and are included in trade and other payables. These balances are unsecured, non-interest bearing and are due on demand.

Subsequent events

The Company evaluated subsequent events through January 4, 2023, the date these Interim Management's Discussion & Analysis - Quarterly Highlights were approved and authorized for issue.

On December 19, 2022, the Company entered into debt conversion agreements with three employees of the Company to eliminate their accrued vacation payable up to and including December 3, 2022, accrued vacation. In lieu of payment the Company will issue common shares. The reduction of accrued vacation liability and payout of the Company's common shares will take place in two tranches; the first being completed by December 23, 2022, and the second by February 20, 2023.

On January 4, 2022, the Company announced that its board of directors appointed Elliott Etheredge as Chief Executive Officer. Frank Coccia will assume the role of Chief Operating Office, President and Founder continuing his leadership developing customer solutions and network expansion.

Risk Factors

The Annual MD&A for the year ended February 28, 2022, dated June 23, 2022, 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 2023 fiscal year and to the date of this report, other than the impact of the COVID-19 pandemic on the general North American economy, and more specifically on PUDO's operations. This continues to be monitored by PUDO's management team as their customers, partners and members recover from the impact of the COVID-19 outbreak.