

FORM 5

QUARTERLY LISTING STATEMENT

Name of Listed Issuer: PUDO Inc. (“PUDO” or the “Issuer”).

Trading Symbol: PDO

This Quarterly Listing Statement must be posted on or before the day on which the Issuer’s unaudited interim financial statements are to be filed under the Securities Act, or, if no interim statements are required to be filed for the quarter, within 60 days of the end of the Issuer’s first, second and third fiscal quarters. This statement is not intended to replace the Issuer’s obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by the Exchange Policies. If material information became known and was reported during the preceding quarter to which this statement relates, management is encouraged to also make reference in this statement to the material information, the news release date and the posting date on the Exchange website.

General Instructions

- (a) Prepare this Quarterly Listing Statement using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the following items must be in narrative form. When the answer to any item is negative or not applicable to the Issuer, state it in a sentence. The title to each item must precede the answer.
- (b) The term “Issuer” includes the Listed Issuer and any of its subsidiaries.
- (c) Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation and General Provisions.

There are three schedules which must be attached to this report as follows:

SCHEDULE A: FINANCIAL STATEMENTS

Financial statements are required as follows:

For the first, second and third financial quarters interim financial statements prepared in accordance with the requirements under Ontario securities law must be attached.

If the Issuer is exempt from filing certain interim financial statements, give the date of the exempting order.

Copy of interim financial statements for the three and six month periods ended August 31, 2017, is attached at the end of this form and can be found on the Issuer's profile on the CSE website at www.thecse.com and on SEDAR at www.sedar.com.

SCHEDULE B: SUPPLEMENTARY INFORMATION

The supplementary information set out below must be provided when not included in Schedule A.

1. Related party transactions

Provide disclosure of all transactions with a Related Person, including those previously disclosed on Form 10. Include in the disclosure the following information about the transactions with Related Persons:

- (a) A description of the relationship between the transacting parties. Be as precise as possible in this description of the relationship. Terms such as affiliate, associate or related company without further clarifying details are not sufficient.
- (b) A description of the transaction(s), including those for which no amount has been recorded.
- (c) The recorded amount of the transactions classified by financial statement category.
- (d) The amounts due to or from Related Persons and the terms and conditions relating thereto.
- (e) Contractual obligations with Related Persons, separate from other contractual obligations.
- (f) Contingencies involving Related Persons, separate from other contingencies.

Please refer to Schedule A – Financial Statements – Note 16.

2. Summary of securities issued and options granted during the period.

Provide the following information for the period beginning on the date of the last Listing Statement (Form 2A):

- (a) summary of securities issued during the period,

Posted to the CSE: <http://thece.com/en/listings/diversified-industries/pudo-inc>

CSE News Releases

Date	New Release
25/08/2017	PUDO INC. ANNOUNCES CLOSING OF PRIVATE PLACEMENT AND DEBT SETTLEMENT
13/07/2017	PUDO Inc. Announces Updates to the Company's Stock Options

CSE Filings

Date	File	Type
07/09/2017	PUDO Form 7 - Monthly Progress Report for period ended August 31, 2017	Monthly Progress Report
28/08/2017	PUDO Form 9 - Notice of Proposed Issuance of Lister Securities	Proposed Issuance of Listed Securities
28/08/2017	PUDO Form 9 - Notice of Proposed Issuance of Lister Securities	Proposed Issuance of Listed Securities
25/08/2017	PUDO Inc. Receipt of Funds from Private Placement	Other
25/08/2017	FORM 6 CERTIFICATE OF COMPLIANCE	Certificate of compliance
25/08/2017	FORM 51-102F3 MATERIAL CHANGE REPORT re Private Placement	Material Change Report
23/08/2017	PUDO - FORM 9 NOTICE OF PROPOSED ISSUANCE OF LISTED SECURITIES	Proposed Issuance of Listed Securities
23/08/2017	PUDO - FORM 9 NOTICE OF PROPOSED ISSUANCE OF LISTED SECURITIES	Proposed Issuance of Listed Securities

Date of Issue	Type of Security (common shares, convertible debentures, etc.)	Type of Issue (private placement, public offering, exercise of warrants, etc.)	Number	Price	Total Proceeds	Type of Consideration (cash, property, etc.)	Describe relationship of Person with Issuer (indicate if Related Person)	Commission Paid

Please refer to Schedule A – Financial Statements – Notes 12 & 13.

(b) summary of options granted during the period,

Date	Number	Name of Optionee if Related Person and relationship	Generic description of other Optionees	Exercise Price	Expiry Date	Market Price on date of Grant

Please refer to Schedule A – Financial Statements – Note 14.

3. Summary of securities as at the end of the reporting period.

Provide the following information in tabular format as at the end of the reporting period:

- (a) description of authorized share capital including number of shares for each class, dividend rates on preferred shares and whether or not cumulative, redemption and conversion provisions,
- (b) number and recorded value for shares issued and outstanding,
- (c) description of options, warrants and convertible securities outstanding, including number or amount, exercise or conversion price and expiry date, and any recorded value, and
- (d) number of shares in each class of shares subject to escrow or pooling agreements or any other restriction on transfer.

Please refer to Schedule A – Financial Statements – Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Deficiency) Page 3 and Notes 12, 13, and 14.

4. List the names of the directors and officers, with an indication of the position(s) held, as at the date this report is signed and filed.

Frank Coccia, President & Chief Executive Officer
Richard Cooper, Director
Kurtis Arnold, Director
Tom Bijou, Director
Murray Cook, Director
Ian McDougall, Director
Howard Westerman, Director

SCHEDULE C: MANAGEMENT DISCUSSION AND ANALYSIS

Provide Interim MD&A if required by applicable securities legislation.

MD&A – Quarterly Highlights for the three and six month periods ended August 31, 2017, is attached at end of this form and can be found on the Issuer's profile on the CSE website at www.thecse.com and on SEDAR at www.sedar.com.

Certificate Of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Quarterly Listing Statement.
2. As of the date hereof there is no material information concerning the Issuer which has not been publicly disclosed.
3. The undersigned hereby certifies to the Exchange that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all Exchange Requirements (as defined in CNSX Policy 1).
4. All of the information in this Form 5 Quarterly Listing Statement is true.

Dated September 27, 2017.

Kurtis Arnold

Name of Director or Senior Officer

/s/ Kurtis Arnold

Signature

Director

Official Capacity

Issuer Details Name of Issuer	For Quarter Ended	Date of Report YY/MM/DD
PUDO Inc.	August 31, 2017	17/09/27
Issuer Address		
6600 Goreway Drive Unit D		
City/Province/Postal Code	Issuer Fax No.	Issuer Telephone No.
Mississauga, ON L4V 1S6	()	(844) 300-8533
Contact Name	Contact Position	Contact Telephone No.
Kurtis Arnold	Director	(844) 300-8533
Contact Email Address	Web Site Address	
kurtis.arnold@pudopoint.com	www.pudoinc.ca	

PUDO INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE THREE AND SIX MONTH PERIODS ENDED AUGUST 31,
2017**

(EXPRESSED IN CANADIAN DOLLARS)

(UNAUDITED)

NOTICE TO READER

The accompanying unaudited condensed interim consolidated financial statements of PUDO Inc. have been prepared by and are the responsibility of management. The unaudited condensed interim consolidated financial statements have not been reviewed by the Company's auditors.

PUDO Inc.

Condensed Interim Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

(Unaudited)

As at	August 31, 2017	February 28, 2017
Assets		
Current assets		
Cash	\$ 399,073	\$ 445,723
Restricted short-term investment	25,000	25,000
Trade and other receivables (note 6)	130,694	117,736
Subscriptions receivable (note 12)	577,798	-
Prepaid expenses and deposits	74,127	21,096
Total current assets	1,206,692	609,555
Equipment (note 7)	30,877	61,530
Intangible assets (note 8)	293,717	339,956
Total assets	\$ 1,531,286	\$ 1,011,041
Liabilities		
Current liabilities		
Trade and other payables (notes 9 and 16)	\$ 270,994	\$ 406,612
Advances payable (note 10)	-	15,025
Loans and borrowings (note 11)	32,778	30,423
Total current liabilities	303,772	452,060
Loans and borrowings (note 11)	119,931	136,930
Total liabilities	423,703	588,990
Shareholders' equity		
Share capital (note 12)	5,102,619	3,971,811
Warrants (note 13)	507,173	136,137
Stock options (note 14)	211,743	333,427
Deficit	(4,713,952)	(4,019,324)
Shareholders' equity	1,107,583	422,051
Total liabilities and shareholders' equity	\$ 1,531,286	\$ 1,011,041

Nature of operations and going concern (note 1)

Commitments and contingencies (note 17)

Approved by the Board of Directors:

"Kurtis Arnold" Director

"Richard Cooper" Director

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

PUDO Inc.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

(Unaudited)

	Three Months Ended August 31,		Six Months Ended August 31,	
	2017	2016	2017	2016
Revenue (note 4)	\$ 165,894	\$ 233,891	\$ 342,422	\$ 378,824
Cost of sales (note 15)	(43,439)	(76,880)	(91,964)	(116,618)
Gross profit	122,455	157,011	250,458	262,206
Administrative expenses (note 15)	(486,335)	(466,287)	(858,711)	(919,240)
Share-based payment (note 14)	(94,943)	(10,200)	(94,943)	(35,250)
Operating loss	(458,823)	(319,476)	(703,196)	(692,284)
Finance costs (note 11)	(5,913)	(7,006)	(12,101)	(14,005)
Net loss and comprehensive loss for the period	\$ (464,736)	\$ (326,482)	\$ (715,297)	\$ (706,289)
Loss per share - basic and diluted	\$ (0.03)	\$ (0.02)	\$ (0.04)	\$ (0.04)
Weighted average number of shares outstanding - basic and diluted	17,285,425	16,320,514	16,957,907	16,318,476

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

PUDO Inc.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

(Expressed in Canadian Dollars)

(Unaudited)

	# of common shares	Share capital	Warrants	Stock options	Deficit	Total
Balance, February 29, 2016	16,195,515	\$ 3,366,283	\$ 197,805	\$ 277,508	\$(2,928,682)	\$ 912,914
Issuance of common shares on acquisition of Kinek (note 12(b)(i))	116,745	350,235	-	-	-	350,235
Broker warrants exercised (note 13)	8,254	-	-	-	-	-
Share-based payment (note 14)	-	-	-	35,250	-	35,250
Net loss for the six month period ended August 31, 2016	-	-	-	-	(706,289)	(706,289)
Balance, August 31, 2016	16,320,514	\$ 3,716,518	\$ 197,805	\$ 312,758	\$(3,634,971)	\$ 592,110
Warrants expired (note 13)	-	-	(197,805)	-	197,805	-
Share-based payments (note 14)	-	-	-	31,004	-	31,004
Share-based payments forfeited (note 14)	-	-	-	(10,335)	10,335	-
Issuance of common shares in private placement (note 12(b)(ii))	211,234	401,345	-	-	-	401,345
Valuation of broker warrants A and B issued in private placement (notes 12(b)(ii) and 13)	-	(136,137)	136,137	-	-	-
Transaction costs incurred for private placement (note 12(b)(ii))	-	(9,915)	-	-	-	(9,915)
Net loss for the six month period ended February 28, 2017	-	-	-	-	(592,493)	(592,493)
Balance, February 28, 2017	16,531,748	\$ 3,971,811	\$ 136,137	\$ 333,427	\$(4,019,324)	\$ 422,051
Stock options exercised (note 14(i))	150,000	51,771	-	(21,771)	-	30,000
Stock options exercised (note 14(ii))	1,200,000	414,187	-	(174,187)	-	240,000
Share-based payment (note 14)	-	-	-	94,943	-	94,943
Share-based payment forfeited (note 14)	-	-	-	(20,669)	20,669	-
Issuance of common shares in private placement (note 12(b)(iii))	869,160	869,160	-	-	-	869,160
Issuance of common shares in lieu of debt (note 12(b)(iii))	174,726	174,726	-	-	-	174,726
Valuation of warrants issued in private placement (notes 12(b)(iii) and 13)	-	(371,036)	371,036	-	-	-
Transaction costs incurred for private placement (note 12(b)(iii))	-	(8,000)	-	-	-	(8,000)
Net loss for the six month period ended August 31, 2017	-	-	-	-	(715,297)	(715,297)
Balance, August 31, 2017	18,925,634	\$ 5,102,619	\$ 507,173	\$ 211,743	\$(4,713,952)	\$ 1,107,583

PUDO Inc.

Condensed Interim Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

(Unaudited)

	Six Months Ended August 31, 2017	Six Months Ended August 31, 2016
Cash flows provided by (used in) operating activities		
Net loss for the period	\$ (715,297)	\$ (706,289)
Adjustments for:		
Amortization (notes 7 and 8)	91,394	84,237
Share-based payment	94,943	35,250
Accretion expense (note 11)	12,101	14,005
Net change in non-cash working capital:		
Trade and other receivables	(12,958)	4,866
Prepaid expenses and deposits	1,569	48,707
Trade and other payables	(57,262)	(22,455)
Cash flows provided by (used in) operating activities	(585,510)	(541,679)
Cash flows provided by (used in) investing activities		
Purchase of equipment	(8,590)	(61,126)
Purchase of intangible assets	(5,912)	(59,237)
Cash flows provided by (used in) investing activities	(14,502)	(120,363)
Cash flows provided by (used in) financing activities		
Proceeds from exercise of options (note 14)	270,000	-
Proceeds from issuance of common shares (note 12)	869,160	-
Subscriptions receivable	(577,798)	-
Transaction costs incurred for private placement (note 12)	(8,000)	-
Repayment of advances payable	-	(13,373)
Cash flows provided by (used in) financing activities	553,362	(13,373)
Change in cash during the period	(46,650)	(675,415)
Cash, beginning of period	445,723	891,301
Cash, end of period	\$ 399,073	\$ 215,886
Supplemental information:		
Issuance of common shares in lieu of debt (note 12)	\$ 174,726	\$ -
Options granted in settlement of debt (note 14)	6,341	-
Shares issued in acquisition of Kinek (note 12)	-	350,235
Finance costs paid on borrowings (note 11)	12,101	6,947

PUDO Inc.

Notes to Condensed Interim Consolidated Financial Statements Six Months Ended August 31, 2017 and 2016 (Expressed in Canadian Dollars) (Unaudited)

1. Nature of operations and going concern

PUDO Inc.'s (the "Company") principal activity is providing E-commerce shipment services through collaboration with specific online retailers for delivery of their products, and working with national and international courier companies to provide alternate drop-off and pickup options of packages.

These unaudited condensed interim consolidated financial statements have been prepared with the assumption that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. As at August 31, 2017, the Company had working capital of \$902,920, (February 28, 2017 - \$157,495), had not yet achieved profitable operations, had used cash in operating activities of \$585,510 for the six month period ended August 31, 2017 (August 31, 2016 - \$541,679), and had accumulated losses of \$4,713,952 as at August 31, 2017 (February 28, 2017 - \$4,019,324). 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. These unaudited condensed interim consolidated financial statements do not include the adjustments that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

2. Basis of preparation

(a) Statement of compliance

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee ("IFRIC").

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by the IASB and interpretations issued by the IFRIC.

The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRSs issued and outstanding as of September 26, 2017, the date the Board of Directors approved the unaudited condensed interim consolidated financial statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim consolidated financial statements as compared with the most recent annual financial statements of the Company as at and for the year ended February 28, 2017 other than changes in accounting policies as discussed below. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending February 28, 2018 could result in restatement of these unaudited condensed interim consolidated financial statements.

(b) Basis of presentation

The unaudited condensed interim consolidated financial statements have been prepared on a historical cost basis, except for the restricted short-term investment, comprised of a guaranteed investment certificate, which is stated at its fair value. In addition, these unaudited condensed interim consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

(c) Basis of consolidation

The unaudited condensed interim consolidated financial statements comprise the financial statements of the

PUDO Inc.

Notes to Condensed Interim Consolidated Financial Statements Six Months Ended August 31, 2017 and 2016 (Expressed in Canadian Dollars) (Unaudited)

2. Basis of preparation (continued)

Company and its wholly-owned subsidiaries Grandview Gold (USA) Inc., and Recuperacion Realzada, S.A.C. Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are de-consolidated from the date control ceases. The financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

3. Significant accounting policies

(a) New standards not yet adopted and interpretations issued but not yet effective

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting years beginning on or after March 1, 2018 or later years. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRS 9 – *Financial Instruments* (“IFRS 9”) was issued by the IASB in November 2009 with additions in October 2010 and August 2013 and will replace IAS 39 *Financial Instruments: Recognition and Measurement* (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity’s own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual years beginning on or after January 1, 2018.

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

IFRIC 22 – *Foreign Currency Transactions and Advance Consideration* (“IFRIC 22”) was issued in December 2016 and addresses foreign currency transactions or parts of transactions where there is consideration that is denominated in a foreign currency; a prepaid asset or deferred income liability is recognized in respect of that consideration, in advance of the recognition of the related asset, expense or income; and the prepaid asset or deferred income liability is non-monetary. The interpretation committee concluded that the date of the transaction, for purposes of determining the exchange rate, is the date of initial recognition of the non-monetary prepaid asset or deferred income liability. IFRIC 22 is effective for annual periods beginning on or after January 1, 2018.

(b) Changes in accounting standards

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

PUDO Inc.

Notes to Condensed Interim Consolidated Financial Statements Six Months Ended August 31, 2017 and 2016 (Expressed in Canadian Dollars) (Unaudited)

3. Significant accounting policies (continued)

IAS 7 – Statement of Cash Flows (“IAS 7”) was amended in January 2016 to clarify that disclosures shall be provided that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments are effective for annual periods beginning on or after January 1, 2017.

IAS 12 – Income Taxes (“IAS 12”) was amended in January 2016 to clarify that, among other things, unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary differences regardless of whether the debt instrument’s holder expects to recover the carrying amount of the debt instrument by sale or by use; the carrying amount of an asset does not limit the estimation of probable future taxable profits; and estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences. The amendments are effective for annual periods beginning on or after January 1, 2017.

IFRS 15 - *Revenue From Contracts With Customers* (“IFRS 15”) proposes to replace IAS 18 - Revenue, IAS 11 - Construction Contracts, and some revenue-related interpretations. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual years beginning on or after January 1, 2017.

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

4. Financial risk management

(a) Fair values

The carrying amounts of trade and other receivables, subscriptions receivable, cash, trade and other payables and advances payable approximate their fair values, given their short-term nature.

(b) Financial risk factors

The Company’s activities expose it to a variety of financial risks, including credit risk, liquidity risk, market risk, and capital risk management. 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 has the overall responsibility for the establishment and oversight of the Company’s risk management framework. The Company’s risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company’s activities.

(i) Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet commitments it has entered into with the Company. The financial assets that potentially expose the Company to credit risk consist principally of cash or other receivables. The extent of the Company’s exposure to credit risk approximate their carrying values are recorded in the Company’s consolidated statement of financial position.

PUDO Inc.

Notes to Condensed Interim Consolidated Financial Statements Six Months Ended August 31, 2017 and 2016 (Expressed in Canadian Dollars) (Unaudited)

4. Financial risk management (continued)

During the six month period ended August 31, 2017, one customer represented approximately \$178,300 of revenue (August 31, 2016 - one customer represented approximately \$236,000 of revenue). Accounts receivable from one customer represents approximately \$44,550 of trade and other receivables as at August 31, 2017 (February 28, 2017 – \$67,364 from one customer). This one customer is comprised of three different businesses operated independently under common control.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position. The maximum exposure to credit risk at the reporting date was:

	August 31, 2017	February 28, 2017
Trade and other receivables	\$ 130,694	\$ 117,736
Cash	399,073	445,723
Restricted short-term investment	25,000	25,000
Subscriptions receivable	577,798	-
	\$ 1,132,565	\$ 588,459

(ii) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to finance its operations and to mitigate the effects of fluctuations in cash flows. See going concern discussion in note 1.

The following are the contractual maturities of financial liabilities:

	August 31, 2017	February 28, 2017
Trade and other payables	\$ <u><1 year</u> 270,994	\$ <u><1 year</u> 406,612
Advances payable	-	15,025
	\$ 270,994	\$ 421,637
Loans and borrowings – 12 monthly instalments of \$4,458 < 1 year	\$ 53,496	\$ 53,496
Loans and borrowings – 33 monthly instalments of \$4,458 > 1 year	\$ 147,114	\$ 173,862

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.

PUDO Inc.

Notes to Condensed Interim Consolidated Financial Statements Six Months Ended August 31, 2017 and 2016 (Expressed in Canadian Dollars) (Unaudited)

4. Financial risk management (continued)

Revenue by geographic region is as follows:

	Three Months Ended August 31,		Six Months Ended August 31,	
	2017	2016	2017	2016
Canada	\$ 89,974	\$ 158,216	\$ 194,786	\$ 234,764
United States of America	\$ 75,920	\$ 75,675	\$ 147,636	\$ 144,060
Total	\$ 165,894	\$ 233,891	\$ 342,422	\$ 378,824

Currency risk

Since the Company has a bank account denominated in US dollars, it is exposed to foreign currency risk due to fluctuations in the exchange rate. The Company purchases goods and services in Canadian dollars and US dollars. Since the Company reports its results in Canadian dollars, the functional currency of the Company, it is exposed to changes in the value of the US dollar relative to that of the Canadian dollar. The Company also entered into investment loan agreements which were denominated in US dollars which had exposed the Company to foreign currency risk due to fluctuations in the exchange rate. As at August 31, 2017, the Company had cash of US\$150,816 (\$188,249) (February 28, 2017 – US\$220,357 (\$288,690)) and accounts receivable of US\$36,274 (\$45,343) (February 28, 2017- US\$30,558 (\$40,034)).

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.

(iv) Capital risk management

The Company reviews and manages its capital position from time to time to maintain a balance between its liability and equity levels. The Company uses the capital contributed by investors to finance its working capital requirements.

The Board of Directors does not establish quantitative return on capital criteria for management but rather relies on the expertise of the Company's management to sustain future developments of the business. The Company defines capital as equity and borrowings.

The Company's capital management objectives, policies and processes have remained materially unchanged during the six month period ended August 31, 2017 and year ended February 28, 2017.

(v) 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 current US dollar denominated balances as at August 31, 2017, would affect the net loss by approximately plus or minus \$3,000 during a twelve month period.

PUDO Inc.

Notes to Condensed Interim Consolidated Financial Statements Six Months Ended August 31, 2017 and 2016 (Expressed in Canadian Dollars) (Unaudited)

5. Critical accounting estimates and judgments

The Company makes estimates and judgments that affect the reported amounts of assets and liabilities within the next year. Estimates and judgments are regularly evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In the determination of carrying values and impairment charges, management looks at the higher of recoverable amount or fair value less costs to sell in the case of assets and at objective evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at the end of each reporting year.

Intangible assets and equipment

The useful life of intangible assets and equipment is determined by management at the time the software and equipment is acquired and brought into use and is regularly reviewed for appropriateness. For unique software products controlled by the Company, the estimated life is based on management's historical experience with similar products as well as anticipation of future events which may impact their life such as changes in technology.

In the determination of carrying values and impairment charges, management looks at the higher of recoverable amount or fair value less costs to sell and at objective evidence, significant or prolonged decline of fair value on assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at the end of each reporting year.

Income, value added, withholding and other taxes

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

Share-based payments

The Company measures the cost of equity-settled transactions with employees and directors by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. Assumptions are made and judgment is used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

Contingencies

Refer to Note 17

Valuation of debt

Refer to Note 11

PUDO Inc.

Notes to Condensed Interim Consolidated Financial Statements Six Months Ended August 31, 2017 and 2016 (Expressed in Canadian Dollars) (Unaudited)

6. Trade and other receivables

	August 31, 2017	February 28, 2017
Trade receivables	\$ 90,003	\$ 107,691
HST receivable	31,562	2,030
Other receivables	9,129	8,015
	\$ 130,694	\$ 117,736

There were no allowances for doubtful accounts as at August 31, 2017 and February 28, 2017.

7. Equipment

Cost

Balance at February 29, 2016	\$ 128,825
Additions	67,226
Disposals	(46,053)
Balance at February 28, 2017	\$ 149,998
Additions	8,591
Balance at August 31, 2017	\$ 158,589

Accumulated amortization

Balance at February 29, 2016	\$ 16,838
Amortization	105,122
Disposals	(33,492)
Balance at February 28, 2017	\$ 88,468
Amortization	39,244
Balance at August 31, 2017	\$ 127,712

Carrying amounts

Balance at February 28, 2017	\$ 61,530
Balance at August 31, 2017	\$ 30,877

PUDO Inc.

Notes to Condensed Interim Consolidated Financial Statements Six Months Ended August 31, 2017 and 2016 (Expressed in Canadian Dollars) (Unaudited)

8. Intangible assets

	Computer Software
Cost	
Balance at February 29, 2016	\$ 25,000
Additions	589,098
Balance at February 28, 2017	\$ 614,098
Additions	5,912
Balance at August 31, 2017	\$ 620,010
Accumulated amortization and impairment	
Balance at February 29, 2016	\$ 11,042
Amortization and impairment	263,100
Balance at February 28, 2017	\$ 274,142
Amortization	52,151
Balance at August 31, 2017	\$ 326,293
Carrying amounts	
Balance at February 28, 2017	\$ 339,956
Balance at August 31, 2017	\$ 293,717

9. Trade and other payables

	August 31, 2017	February 28, 2017
Trade payables	\$ 137,073	\$ 286,519
Other payables	48,486	31,418
Accrued liabilities	85,435	88,675
	\$ 270,994	\$ 406,612

10. Advances payable

At August 31, 2017, the Company had advances payable of \$Nil (February 28, 2017 - \$15,025) owing to a shareholder of the Company. These advances were exchanged for 15,025 common shares on August 24, 2017. (see note 12)

PUDO Inc.

Notes to Condensed Interim Consolidated Financial Statements Six Months Ended August 31, 2017 and 2016 (Expressed in Canadian Dollars) (Unaudited)

11. Loans and borrowings

On March 3, 2016, the Company assumed borrowings from 640624 N.B. Ltd. payable to Atlantic Canada Opportunities Agency. The loan is unsecured and non-interest bearing. 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 non-current borrowings was estimated using the effective interest rate method by discounting the future contractual cash flows at the estimated current market estimated interest rates for an equivalent instrument. The discount rate applied was 15%. The Company recorded accretion expense of \$5,913 and \$12,101, respectively (August 31, 2016 - \$7,006 and \$14,005) during the three and six month periods ended August 31, 2017. The rate used in determining the appropriate present value of the borrowings was subject to significant management estimation.

	August 31, 2017	February 28, 2017
Loan payable (Atlantic Canada Opportunities Agency) 45 instalments repayable at \$4,458 per month	\$ 152,709	167,353
Less: Current portion	<u>32,778</u>	<u>30,423</u>
	<u>\$ 119,931</u>	<u>136,930</u>

Future repayments on the borrowings as at August 31, 2017 include the following:

September 1, 2017 to February 28, 2018	\$ 26,748
March 1, 2018 to February 28, 2019	53,496
March 1, 2019 to February 29, 2020	53,496
March 1, 2020 to February 28, 2021	53,496
March 1, 2021 to June 22, 2021	<u>13,374</u>
Principal amount	<u>\$ 200,610</u>

12. Share capital

(a) Authorized

Unlimited number of common shares with no par value.

Unlimited number of preference shares. The preference shares are without par value, redeemable, voting, non-participating, and are convertible into common shares at the rate of one common share for five preference shares (none currently issued and outstanding).

PUDO Inc.

Notes to Condensed Interim Consolidated Financial Statements Six Months Ended August 31, 2017 and 2016 (Expressed in Canadian Dollars) (Unaudited)

12. Share capital (continued)

(b) Issued

Common Shares	Number	Amount
Balance of common shares, February 29, 2016	16,195,515	\$ 3,366,283
Exercise of broker warrants (note 13)	8,254	-
Issuance of common shares in acquisition of Kinek (i)	116,745	350,235
Issuance of common shares in private placement (ii)	211,234	265,208
Transaction costs incurred for private placement (ii)		(9,915)
Balance, February 28, 2017	16,531,748	\$ 3,971,811
Exercise of stock options (note 14)	1,350,000	465,958
Issuance of common shares in private placement (iii)	869,160	869,160
Issuance of common shares in lieu of debt (iii)	174,726	174,726
Valuation of warrants issued in private placement (iii)		(371,036)
Transaction costs incurred for private placement (iii)		(8,000)
Balance, August 31, 2017	18,925,634	\$ 5,102,619

(i) On March 3, 2016, the Company acquired certain assets and assumed certain liabilities from 640624 N.B. Ltd. (o/a Kinek). In consideration for the business acquisition, the Company issued 116,745 common shares to Kinek with a value of \$3.00 per share.

(ii) In February 2017, the Company closed a non-brokered private placement of 211,234 units at a price of \$1.90 per unit for total proceeds of \$401,345. Each unit is comprised of one common share and one-half of one common share purchase warrant A and one-half of one common share purchase warrant B. Each whole warrant A is exercisable into one common share of the Company at \$1.75 per share up to March 29, 2019. Each whole warrant B is exercisable into one common share of the Company at \$2.50 per share up to March 29, 2019. The warrants have an estimated grant date fair value of \$136,137 (comprised of \$72,908 related to Warrant A and \$63,229 related to Warrant B), using the Black-Scholes valuation model with the following assumptions: risk-free interest rate of 0.76%, expected life of 2.08 years, expected volatility of 120% based on the historical volatility of the Company's shares, and expected dividend yield of 0%. The Company incurred share issue costs of \$9,915 in connection with the private placement.

(iii) In August 2017, the Company closed a non-brokered private placement of 508,580 units. Each unit is comprised of two common shares and two warrants. Each warrant entitles the holder to acquire one common share for \$1.00 per share up to August 24, 2018. The gross proceeds received as a result of the private placement is \$869,160. With regard to this private placement the Company settled a total of \$174,726 in debt through the issuance to certain related party shareholders of 74,000 units (of the 508,580 units) at a deemed issue price of \$2.00 per unit, and 26,726 common shares at a deemed issue price of \$1.00 per common share. The Company incurred share issuance costs of \$8,000 in connection with the private placement. On August 31, 2017, \$577,798 was recorded as subscriptions receivable. The subscriptions receivable was received subsequent to August 31, 2017. The warrants have an estimated grant date fair value of \$371,036, using the Black-Scholes valuation model with the following assumptions: risk-free interest rate of 1.24%, expected life of 1.00 years, expected volatility of 128% based on the historical volatility of the Company's shares, and expected dividend yield of 0%.

PUDO Inc.

Notes to Condensed Interim Consolidated Financial Statements Six Months Ended August 31, 2017 and 2016 (Expressed in Canadian Dollars) (Unaudited)

13. Warrants

The following table reflects the continuity of warrants for the six month period ended August 31, 2017 and the year ended February 28, 2017:

	Number of warrants	Exercise price
Balance, February 29, 2016	242,737	\$ 4.00
Broker warrants exercised	(8,254)	0.63
Warrants expired	(234,483)	4.00
Warrants A issued in private placement (note 12(b)(ii))	105,617	1.75
Warrants B issued in private placement (note 12(b)(ii))	105,617	2.50
Balance, February 28, 2017	211,234	\$ 2.12
Warrants issued in private placement (note 12(b)(iii))	1,017,160	1.00
Balance August 31, 2017	1,228,394	\$ 1.19

The following table reflects the warrants issued and outstanding as at August 31, 2017:

Expiry Date	Exercise price (\$)	Estimated grant date fair value (\$)	Number of warrants outstanding
March 29, 2019	1.75	72,908	105,617
March 29, 2019	2.50	63,229	105,617
August 24, 2018	1.00	371,036	1,017,160
		507,173	1,228,394

On February 10, 2016, the Company issued 31,746 common shares, upon the exercise of 8,254 broker warrants.

On February 12, 2017, 234,483 warrants expired. The estimated grant date fair value of the warrants of \$197,805 was charged to deficit.

14. Stock options

The Company maintains an employee stock option plan under which the Board of Directors, or the compensation committee of the Board of Directors, may from time to time grant to employees, officers, directors or consultants of the Company, options to acquire common shares in such numbers, for such terms and at such exercise prices, as may be determined by the Board of Directors or the compensation committee of the Board of Directors.

The stock option plan provides that the maximum number of common shares in the capital of the Company that may be reserved for issuance for all purposes under the stock option plan shall not exceed 20% of the total issued and outstanding common shares.

PUDO Inc.

Notes to Condensed Interim Consolidated Financial Statements Six Months Ended August 31, 2017 and 2016 (Expressed in Canadian Dollars) (Unaudited)

14. Stock options (continued)

The following table reflects the continuity of stock options for the six month period ended August 31, 2017 and the year ended February 28, 2017:

	Number of stock options	Exercise price
Balance, February 29, 2016	1,419,000	\$ 0.30
Granted (i)	15,000	3.00
Options forfeited	(5,000)	3.00
Balance, February 28, 2017	1,429,000	\$ 0.30
Options exercised (ii)	(1,350,000)	0.20
Options forfeited (i)	(10,000)	3.00
Granted	322,000	1.20
Balance, August 31, 2017	391,000	\$ 1.38

The following table reflects the actual stock options issued and outstanding as of August 31, 2017:

Expiry date	Exercise price (\$)	Remaining contractual life (years)	Weighted average number of options outstanding	Options vested (exercisable)	Estimated grant date fair value
December 1, 2017	2.25	0.25	17,250	17,250	\$ 27,700
March 1, 2018	2.25	0.50	17,250	17,250	28,800
June 1, 2018	2.25	0.75	17,250	17,250	29,700
September 1, 2018	2.25	1.00	17,250	17,250	30,600
August 14, 2019 (iii)	1.20	2.00	102,000	102,000	25,198
August 31, 2020 (iv)	1.20	3.00	200,000	200,000	63,404
August 31, 2020 (iv)	1.20	3.00	20,000	20,000	6,341
	1.39	0.60	391,000	391,000	\$ 211,743

(i) On March 3, 2016, the Company granted 10,000 options to employees of the Company which were subsequently forfeited on July 11, 2017. The amount of \$20,669 was charged to deficit.

(ii) During the six month period ended August 31, 2017, an officer of the Company exercised 1,200,000 options at \$0.20 per share and a director of the Company exercised 150,000 options at \$0.20 per share. The market value on this date was \$1.45 per share.

(iii) In July 2017, the Company granted an aggregate of 102,000 options to directors of the Company. The options are exercisable at a price of \$1.20 per common share and vest in 25% increments quarterly with the first 25% vesting on the date of grant. The stock options expire August 14, 2019. The grant date fair value of the stock options was estimated to be \$25,198 using the Black-Scholes valuation model with the following weighted average assumptions: expected dividend yield of 0%, expected volatility of 130%, risk-free interest rate of 1.24%, and expected life of 2.09 years. For the three and six month periods ended August 31, 2017, \$25,198 and \$25,198, respectively (August 31, 2016 - \$10,200 and \$35,250) was recorded as share-based compensation in the unaudited condensed interim consolidated statement of loss.

PUDO Inc.

Notes to Condensed Interim Consolidated Financial Statements

Six Months Ended August 31, 2017 and 2016

(Expressed in Canadian Dollars)

(Unaudited)

14. Stock options (continued)

(iv) In July 2017, the Company granted an aggregate of 200,000 options to employees of the Company. The options are exercisable at a price of \$1.20 per common share. The stock options expire August 31, 2020. The grant date fair value of the stock options was estimated to be \$69,745 using the Black-Scholes valuation model with the following weighted average assumptions: expected dividend yield of 0%, expected volatility of 130%, risk-free interest rate of 1.32%, and expected life of 3.14 years. For the three and six month periods ended August 31, 2017, \$63,404 and \$63,404, respectively (August 31, 2016 \$nil and \$nil) was recorded as share-based compensation in the unaudited condensed interim consolidated statement of loss.

(v) In July 2017, the Company granted 20,000 options to an officer of the Company in lieu of a debt of \$20,000. The vesting date is October 1, 2017. The options are exercisable at a price of \$1.20 per common share. The stock options expire August 31, 2020. The grant date fair value of the stock options was estimated to be \$6,341 using the Black-Scholes valuation model with the following weighted average assumptions: expected dividend yield of 0%, expected volatility of 130%, risk-free interest rate of 1.32%, and expected life of 3.14 years. For the three and six month periods ended August 31, 2017, \$6,341 and \$6,341, respectively (August 31, 2016 \$nil and \$nil) was recorded as share-based compensation in the unaudited condensed interim consolidated statement of loss.

15. Expenses categorized by nature

Cost of sales

	Three Months Ended August 31,		Six Months Ended August 31,	
	2017	2016	2017	2016
External processing charges	\$ 40,015	\$ 73,535	\$ 86,306	\$ 110,653
Computer and web access charges	3,424	3,345	5,658	5,965
	\$ 43,439	\$ 76,880	\$ 91,964	\$ 116,618

PUDO Inc.

Notes to Condensed Interim Consolidated Financial Statements Six Months Ended August 31, 2017 and 2016 (Expressed in Canadian Dollars) (Unaudited)

15. Expenses categorized by nature (continued)

Administrative expenses

	Three Months Ended August 31,		Six Months Ended August 31,	
	2017	2016	2017	2016
Salaries and benefits	\$ 162,164	\$ 103,479	\$ 262,351	\$ 214,458
General and administrative expenses	36,283	64,625	76,041	114,860
Sales and customer service consultants	26,880	25,905	53,890	49,850
Advertising and promotion	6,852	3,939	17,550	14,632
Travel and business development	14,302	33,927	20,294	66,107
Consulting fees	65,950	68,005	138,801	125,744
Professional fees	35,382	57,027	80,825	97,793
Investor relations	24,050	32,391	30,746	74,798
Accounting and office	29,700	18,000	47,700	36,000
Agent and filing fees	20,832	18,140	27,567	34,175
Foreign exchange loss	17,340	1,606	11,552	6,586
Amortization expense	46,600	39,243	91,394	84,237
	\$ 486,335	\$ 466,287	\$ 858,711	\$ 919,240

16. Related party transactions

(a) Related party balances and transactions:

During the three and six month periods ended August 31, 2017 and August 31, 2016, the Company had the following transactions with shareholders and companies under common control and management and directors:

- incurred bookkeeping fees, included in professional fees of \$29,700 and \$47,700, respectively, (three and six months ended August 31, 2016 - \$18,000 and \$36,000) to Cardinal Couriers Ltd., a company with common officers and directors.
- paid salary and consulting fees to officers and a director, in the amount of \$136,609 and \$214,835, respectively, (three and six months ended August 31, 2016 - \$76,824 and \$145,851).

As at August 31, 2017, balances payable to the related parties and shareholders noted above amounted to \$30,058 (February 28, 2017 - \$135,806) and is included in trade and other payables. These balances are unsecured, non-interest bearing and due on demand.

See also notes 10, 12 and 14.

PUDO Inc.

Notes to Condensed Interim Consolidated Financial Statements

Six Months Ended August 31, 2017 and 2016

(Expressed in Canadian Dollars)

(Unaudited)

16. Related party transactions (continued)

(b) Major shareholders:

As at August 31, 2017, no person or corporation beneficially owned or exercised control or direction over common shares of the Company carrying more than 10% of the voting rights attached to all of the common shares of the Company other than Palm Holding Inc., a company owned by parties related to a director and other shareholders of PUDO Inc., which owns or controls, directly or indirectly, 45% of the issued and outstanding shares of the Company. These shareholdings can change at any time at the discretion of the owner.

None of the Company's major shareholders have different voting rights from other holders of the Company's common shares.

The Company is not currently aware of any arrangements, the operation of which may at a subsequent date result in a change in control of the Company.

17. Commitments and contingencies

The Company has entered into various agreements for services, which if terminated by the Company would require payments of approximately \$165,000. As the triggering events have not occurred, these amounts have not been accrued in the unaudited condensed interim consolidated financial statements as at August 31, 2017.



INTERIM MANAGEMENT'S DISCUSSION & ANALYSIS

QUARTERLY HIGHLIGHTS

FOR THE THREE AND SIX MONTH PERIODS ENDED AUGUST 31, 2017

(EXPRESSED IN CANADIAN DOLLARS)

Prepared by:

PUDO Inc.

**6600 Goreway Dr. Unit D,
Ontario, Canada, L4V 1S6**

Introduction

This interim management's discussion and analysis – quarterly highlights (the “Quarterly Highlights”) of the financial condition and results of operations of PUDO Inc. (“PUDO” or the “Company”) constitutes management's review of the financial position and results of operations of PUDO for the three and six month periods ended August 31, 2017, together with certain trends and factors that are expected to have an impact in the future.

These Quarterly Highlights have been prepared in compliance with the requirements of section 2.2.1 of Form 51-102F1, in accordance with National Instrument 51-102 - Continuous Disclosure Obligations. The discussion should be read in conjunction with the unaudited condensed interim consolidated financial statements of the Company for the three and six month periods ended August 31, 2017, the audited annual consolidated financial statements of the Company for the years ended February 28, 2017 and 2016, together with the notes thereto, and the management's discussion and analysis (“Annual MD&A”) of the Company for the year ended February 28, 2017. All dollar amounts are expressed in Canadian dollars unless otherwise noted.

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

The Company's fiscal year end is February 28.

Further information about the Company and its operations is available on SEDAR under the Company's issuer profile at www.sedar.com and on the company's website, www.pudopoint.com.

Cautionary Note Regarding Forward-Looking Information

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

Management of the Company considers the assumptions on which the forward-looking information contained herein are based to be reasonable. However, by its very nature, forward-looking statements inherently involve known and unknown risks and uncertainties that may cause actual results to differ materially from those expressed or implied by such forward-looking statements. Such risks include, without limitation those risks discussed in the “Risk Factors” section of PUDO's Annual MD&A dated February 27, 2017. 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.

Description of Business

PUDO was incorporated on Feb. 28, 2015 and is listed on the Canadian Securities Exchange under the symbol “PDO” and on the OTC QB exchange under the symbol “PDPTF”.

The Company’s technology links existing bricks and mortar businesses with retailers, third party logistics companies (3PL’s), courier companies and consumers. PUDOp^oint^os hold parcels for consumers to pick-up or returns that consumers have dropped off. PUDO’s services provide companies with a presence in a variety of locations to better serve their customers.

Highlights

The second quarter of the year was focused on diversifying service offerings for the Company’s customers and consumers. The two agreements announced this quarter will make it possible for consumers to choose an alternative to home based delivery. The PUDOp^oint^o network is unique in that any courier can deliver to a PUDOp^oint^o. Consumers can choose any PUDOp^oint^o and e-commerce companies can use the most effective means to deliver their products.

PUDO attracted additional investment with proceeds of more than \$1 Million this quarter. Members of PUDO’s team exercised options and also converted debt into shares. A private placement was also completed where both existing shareholders and new investors acquired additional common shares of the Company.

This summer, efforts have focused on customer integration. Our Canadian Courier partners at Transforce have provided information that will help guide the expansion of the Canadian PUDOp^oint^o footprint. The team is busy recruiting locations in specific postal codes where failed-first-attempt deliveries are looking for the security and convenience of the PUDOp^oint^o solution.

Integration of the IT systems with P2P Mailing Ltd., part of the Delivery Group (“P2P”), has been largely accomplished with the first test parcels being shipped to locations across Canada. Testing has been proceeding normally and full integration is expected soon.

The creative management teams at PUDO and Metro Logistics Inc. (“Metro”) have also been working on integrating innovative solutions available through PUDO’s unique technology enabled network for current and future customers alike. Testing is underway now, with more information to become available as the various solutions are rolled out with several of Metro’s customers.

Operations

PUDOp^oint^o Network

The Company is focused on increasing parcel volumes and has been working closely with customers to expand the PUDOp^oint^o network. New locations have been opened where customers have indicated a need for PUDO’s services. This has been partially offset by locations that have had operations suspended due to a current lack of demand for services in

their immediate area. These and other locations may be activated when required as PUDO attracts new customers, and sees growth in demand and locations for its suite of services.

Parcel Volume Analysis

In the summer of 2016, Canada Post was busy working through labour negotiations that caused concern about potential service disruptions. As a result, PUDO's partners picked up a significant amount of parcel volume, and PUDO saw a significant spike in parcels dropped into our network during the second fiscal quarter, 2017. In the absence of this catalyst, PUDO still managed to see Q2 - FY2018 parcel volumes being 77% of what they were in Q2 - FY2017. Looking more broadly, parcel volumes for the first half of FY2018 are 91% of volumes in the first half of FY2017.

Financial Condition and Performance

Financial Condition

As of August 31, 2017, the Company had current assets of \$1.2 million (\$0.6 million as at February 28, 2017). This increase in the six months ended August 31, 2017 is attributed primarily to the additional equity raised, offset by the excess of expenses over revenues.

As of August 31, 2017, the Company had working capital (defined as current assets less current liabilities) of \$0.9 million, up from \$0.2 million as at February 28, 2017. The Company plans to fund its planned expansion of the PUDO network through equity financings. See "*Liquidity*" below.

Financial Performance

During the three months ended August 31, 2017, the Company reported a net loss of \$464,736 (\$0.03 basic and diluted loss per share) on revenue of \$165,894 and a gross profit of \$122,455. This compared to a net loss of \$326,482 (\$0.02 basic and diluted loss per share) in the corresponding quarter in the prior fiscal year. This is attributed to expansion and sales costs associated with network growth and pursuing revenue opportunities with new customers.

Revenue for the six month period ended August 31, 2017 was \$342,422 (six months ended August 31, 2016 – \$378,824). This reduction is primarily associated with more typical summer market forces in the absence of the threat of postal labor disruption. Despite the large spike in FY2017 that wasn't seen in FY2018 from this catalyst, revenue is only down 9%.

Administrative expenses for the three month period ended August 31, 2017 were \$486,335 (\$466,287 – August 31, 2016), representing incremental investments to grow the business and expand the network.

Cash Flows

In the six month period ended August 31, 2017, cash decreased by \$46,650. This decrease was primarily a result of net cash outflows from costs associated with operations, network expansion and IT expenses, offset with the proceeds from an equity financing in the second quarter.

Liquidity and Capital Resources

PUDO intends to generate the capital necessary to fund the planned expansion through revenue from operations and equity financing activities. As noted in the Annual MD&A, the Company generates limited cash from operations. The Company's primary source of cash to date has been from equity financings. The Company's outstanding loans and borrowings as at August 31, 2017 consist of the following:

	As at August 31, 2017
Loan Payable (Atlantic Canada Operations Agency)	<u>\$152,709</u>
Less: Current portion	<u>\$ 32,778</u>
	\$119,931

Debt of approximately \$175,000 was reduced due to additional equity being issued to replace the debt in the six months ended August 31, 2017.

PUDO intends to raise equity capital to fund its planned expansion, as well as increase its revenue at existing locations to eliminate operating losses. The Company has a history of successfully raising the capital needed to operate and believes it can continue to raise any necessary capital. However, the history of losses may cast doubt on the ability of the Company to continue to operate as a going concern.

The unaudited condensed interim consolidated financial statements for the three and six month periods ended August 31, 2017 have been prepared with the assumption that the Company will continue operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the course of operations. They do not include any adjustments that may be required if it were not able to continue as a going concern. The Company's financial statements for the year ended February 28, 2017, contain an emphasis of matter paragraph in its audit opinion related to its ability to continue as a going concern. Management believes that actions currently being taken, which primarily involve increasing revenues, controlling expenses, and raising additional capital will allow the Company to achieve profitability and allow the Company to continue as a going concern. The Company has a history of successfully raising the capital needed to operate the business.

Related Party Transactions

During the three and six month periods ended August 31, 2017 and August 31, 2016, the Company had the following transactions with related parties:

- incurred bookkeeping fees, included in professional fees of \$29,700 and \$47,700, respectively (2016 - \$18,000 and \$36,000) to Cardinal Couriers Ltd., a company with common officers and directors.
- paid, or incurred, salary and consulting fees of \$136,609 and \$214,835, respectively, (August 31, 2016 - \$76,824 and \$145,851) to officers and a director of the corporation.

Risk Factors

The Annual MD&A for the year ended February 28, 2017 filed on SEDAR, sets out a brief summary of certain risk factors for which adverse occurrences may have a material impact on the Company's future financial performance. We draw our readers' attention to that disclosure of

risk factors. No significant changes to those risk factors have occurred in the second fiscal quarter of the 2018 fiscal year and to the date of this report.