



PUDO INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED

FEBRUARY 29, 2020

(EXPRESSED IN CANADIAN DOLLARS)

Prepared by:

PUDO Inc.

**6600 Goreway Drive Unit D, Mississauga,
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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 29, 2020. 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 29, 2020 ("FY 2020"), 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 28, 2020, 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 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 funding the Company resulting in the Company not

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Forward-looking statements	Assumptions	Risk factors
		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 29, 2020 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've ordered online or drop off what they need to return. The Company deploys its technology to provide consumers with convenient PUDOpoints (the “Network”) to pick-up or drop-off (“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 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 2020, noteworthy highlights include:

- 📍 A pilot program that the Company undertook in Q1 FY 2020 with new partner Purolator, Canada's largest integrated freight, package and logistics solutions provider, grew successfully throughout FY 2020 to encompass more than 60 PUDOpoints with considerable parcel volumes. As previously disclosed, as a result of this successful pilot program, PUDO and Purolator signed a contract in March of 2020. This partnership brings considerable new parcel volumes and revenues into the Company, but also offers the opportunity to demonstrate the PUDO suite of services of Purolator customers as well as associated providers of logistics services.
- 📍 In Q4 FY 2020, in the USA the Company completed a 14-State pilot program together with Amazon, whereby 30 PUDOpoint locations appeared in the Amazon check-out as suggested home-away-from-home parcel delivery and pick-up addresses for consignees. The pilot proved the feasibility and value of adding PUDO's Network of PUDOpoints to the Amazon Hub Counter program. The program is presently expanding to more locations across the United States.
- 📍 PUDO's partnership with Give Back Box (“GBB”) continues to evolve in tandem with the growth in e-commerce. GBB's innovative platform leverages the e-commerce volume and the mountains of packaging and landfill it creates. This results in a direct and immediate benefit to millions of disadvantaged people and the charitable organizations that serve them, while simultaneously reducing the negative impact of increasing the waste volume on our environment.
- 📍 PUDO is leveraging its PUDOpoint Network, cross-dock and Third Party Logistics (“3PL”) assets, volume rates, and logistical expertise to streamline logistical processes and volumes for its current partners.

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- 📍 A noteworthy example of lateral growth through embedded confidence demonstrated by entrenched PUDO partners is the organic increase in parcel volumes that PUDO has managed for Canpar, a TFI International ("TransForce") owned transportation and logistics company operating in Canada. Canpar has been growing its e-commerce business as an integral part of the PUDO Network since 2015.
- 📍 The Company had key management changes during the second half of FY 2020, concluding with founder Frank Coccia returning to the position of CEO in December 2019. The Company is appreciative of the commitment and guidance provided by both the previous CEO Kurtis Arnold and COO Matt McDonough during their tenure with the Company.

Capital Resources

During FY 2020, the Company completed the following:

1. On November 7, 2019, the Company closed a non-brokered private placement financing where the company issued 333,333 units of the Company for proceeds of \$150,000. Each unit consisted of one common share and one warrant of the Company that expires November 7, 2020.
2. On November 7, 2019, the Company settled \$772,000 of debt owing to a company with a common director or officer by issuing 1,715,555 units of the Company. The settled debt consisted of \$425,000 of a promissory note and \$347,000 of Trade Payables. Each unit issued consisted of one common share and one warrant of the Company that expires November 7, 2020.
3. In December 2019, the Company closed two non-brokered private placements where 180,957 units were issued for total proceeds of \$104,955. Each unit issued consisted of one common share and one warrant of the Company that expire one year from issuance date.
4. In January 2020, the Company closed several non-brokered private placements where 4,709,180 units were issued for total proceeds of \$2,731,324. Each unit issued consisted of one common share and one warrant of the Company that expire one year from issuance date.
5. On November 8, 2018, the Company completed a non-brokered private placement of an unsecured convertible debenture in the amount of \$100,000. The debenture carried an interest rate of 12% payable annually with a maturity date of November 8, 2019. On November 8, 2019, the debenture was renewed at the interest rate of 12%. On January 31, 2020, the debenture was repaid for \$114,616, including interest incurred to this date.
6. On November 30, 2018, the Company completed a non-brokered private placement of an unsecured convertible debenture in the amount of \$400,000. The debenture carried an interest rate of 9% payable annually with a maturity date of November 30, 2019. On November 30, 2019, the debenture was renewed at the interest rate of 9%. On January 24, 2020, the debenture was repaid for \$441,226, including interest accrued to this date.

The proceeds from the private placements during FY 2020 will 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.

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While the Company continued to strategically manage the growth and development of the Network throughout FY 2020, overall parcel volume increased by 25.3% compared to the year ended February 28, 2019 ("FY 2019"). Parcel volumes during Q4 FY 2020 increased by 56.8% compared to Q4 FY 2019. During this quarter, partner shipments increased 98.5% over the same quarter in the previous year. While during the same time, member shipment volumes were down 1.9%, relating to reduced cross border shopping demand. In FY 2020, partner shipments represented 65.3% of the Company's total parcel volumes, up from 51.2% in the prior fiscal year.

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

- 📍 **Failed First Attempt ("FFA") Parcels:** During FY 2020 total FFA parcel volume increased by 39.6% over FY 2019, while during Q4 FY 2020 FFA parcel volume increased 49.4% as compared to FFA parcel volume in Q4 FY 2019. In sequential quarters, parcel volumes in Q4 FY 2020 compared to Q3 FY 2020 increased by 23.6%. This compares to a parcel decrease of 8.9% in the prior year between Q4 and Q3 FY 2019. This increase during these sequential quarters was expected as PUDO successfully completed a pilot program during FY 2020 with Purolator and as result the number of PUDOpoints utilized by this new partner increased from 4 PUDOpoints to over 60 PUDOpoints located in strategic areas.
- 📍 **Member Shipments:** During FY 2020 total consumer parcel volume decreased by 10.9% over FY 2019, while during Q4 FY 2020 consumer parcel volume decreased by 1.9% as compared to consumer volume in Q4 FY 2019. In sequential quarters, parcel volumes in Q4 FY 2020 compared to Q3 FY 2020 increased by 2.4%. This compares to a parcel decrease of 5.2% in the prior year between Q4 and Q3 FY 2019. This increase is primarily due to increased Canadian consumers' confidence with crossing the Canada / USA border without unexpected border difficulties and concern with re-entry back into Canada (this was prior to the escalation of the COVID-19 restrictions starting in February 2020).
- 📍 **Courier for Pickup ("FPU") Parcels:** During FY 2020, PUDO continued to see exciting growth within the FPU service with parcel volume increasing 167.3% over FY 2019, while during Q4 FY 2020 FPU parcel volume increased 127.0% as compared to FPU volume in Q4 FY 2019. In sequential quarters, parcel volumes in Q4 FY 2020 compared to Q3 FY 2020 increased by 29.7%. Although the volumes are relatively modest at this stage these parcels are an important benefit for partner couriers to support marketplace and other small office / home office business shipping demand.
- 📍 **Returns Parcels:** Throughout FY 2020, PUDO developed the handling returns logistics program nationally. Utilizing PUDO's shipping rates and adding PUDOpoints as return choices allowed new convenient options to help consumers drop-off returns with minimal effort along with reduced costs for the PUDO partners. In sequential quarters, parcel volumes in Q4 FY 2020 compared to Q3 FY 2020 increased by 32.9%.
- 📍 **Other:** As previously mentioned, in Q4 FY 2020 the Company launched and conducted a successful pilot program with a large e-commerce provider, designed to integrate PUDOpoints and services into their Hub Counter network, confirming the global legitimacy of the PUDO business model while laying the groundwork to move forward more quickly with expansion in 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 29, 2020, February 28, 2019, and February 28, 2018:

	As at / Year Ended February 29, 2020 \$	As at / Year Ended February 28, 2019 \$	As at / Year Ended February 28, 2018 \$
Total assets	2,468,321	480,633	818,441
Cash	2,038,493	50,639	373,827
Total liabilities	797,769	1,137,633	435,135
Deficit	(10,159,033)	(9,248,236)	(6,131,140)
Shareholders' (deficiency) equity	1,670,552	(657,000)	383,306
Revenue	1,121,430	832,885	695,960
Gross profit	606,419	562,055	506,141
Net loss and comprehensive loss	(2,004,186)	(3,387,819)	(2,161,770)
Loss per share basic and diluted	(0.08)	(0.18)	(0.12)
Working capital	1,545,969	(815,134)	188,511
Cash used in operating activities	(878,971)	(1,303,492)	1,108,972
Cash provided by financing activities	2,967,942	1,052,546	1,097,664

In FY 2020, the Company's revenues increased 34.6% relative to the prior fiscal year and incurred a net loss \$2.0 million. Of the \$1.4 million reduction in the net loss relative to the previous year, \$1.1 million was due to lower non-cash share-based compensation expense and \$0.3 million in reduced administrative costs. Gross profit increased 7.9% to over \$0.6 million in FY 2020 relative to the previous year.

Cash used in operations in the year ended February 29, 2020 decreased by \$0.4 million to \$0.9 million, due to the decreased administrative expenses incurred, relative to the previous year. Together with a total of \$3.0 million in cash flow provided by financing activities resulted in overall cash being increased by \$2.0 million for the year ended February 29, 2020.

Trends

E-commerce represents the single largest mega trend impacting all aspects of life and commerce, since the widespread adoption of the internet. The global COVID-19 pandemic of 2020 challenged the e-commerce supply chain beginning in February, but spurred an increase in on-line shopping that shows no sign of abating. According to global research company Statista, retail e-commerce sales grew from \$1.3T in 2014, to \$3.5T in 2019, and is expected to almost double to \$6.5T by 2023. Global retail e-commerce grew by almost 20% between 2019 and 2020.

In Canada, where PUDO pilot projects and Network are best realized, the USD value of retail e-commerce revenue reached \$25.4B in 2019, with almost 60% or \$15B of those transactions initiated via mobile device. The consumer mobility that exacerbates last-mile delivery grid-lock is evidenced by this trend.

Alongside the explosive growth in e-commerce, infrastructure issues related to last-mile delivery have grown exponentially, i.e.: +35% first-attempt-delivery failure due to no one answering door, \$6B annual unattended parcel theft, crippling parcel returns logistics gridlock, elevated atmospheric CO2 emissions from courier traffic, a marked overall increase in delivery vehicles during peak travel periods, and un-checked landfill disposal of tons of recyclable e-commerce packaging materials and textiles.

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The negative economic, social and environmental impacts from e-commerce's last-mile gridlock are so urgent, impactful and threatening globally, that the World Economic Forum (WEF) published a report entitled "The Future of the Last Mile Ecosystem – Transition Roadmaps for Public and Private Sector Players". The January 2020 report was developed jointly with McKinsey & Company, the World Business Council for Sustainable Development, Leaseplan, and more than 20 public and private sector partners. The report details 24 prioritized last-mile interventions that involve modifications to vehicles, parcel security, customer behaviour, parcel consolidation, parcel storage, and traffic and parcel delivery environment, in major North American and European cities.

It is worth noting that the PUDO business model addresses all six categories to greater or lesser degrees, and speaks to the widespread and growing support by companies for the rapid adoption of the PUDO parcel management model in North America.

The two most important trends that impacted PUDO and its business model in 2019 were mobility and lifestyle related, impacting consumer, courier, retailer and marketplace frustrations related to the cost and inconvenience associated with failed first attempt deliveries, and parcel returns hassles. With urban centres becoming denser (46% already apartment-style/courier inaccessible), and people becoming more and more mobile, these two trends will continue to grow alongside the double-digit annual growth of e-commerce, and challenge parcel delivery and returns.

To date, in spite of widespread knowledge of factors impacting parcel delivery and returns and faced with the daily challenges of managing an overwhelming number of parcels, North American courier companies remain largely committed to their closed counter network model and have not ventured into the open network space. This of course, bodes well for PUDO.

Selected Annual Financial Information

The following is selected financial data derived from the consolidated financial statements of the Company for the years ended February 29, 2020, February 28, 2019, and February 28, 2018:

	As at / Year Ended February 29, 2020	As at / Year Ended February 28, 2019	As at / Year Ended February 28, 2018
	\$	\$	\$
Total assets	2,468,321	480,633	818,441
Cash	2,038,493	50,639	373,827
Total liabilities	797,769	1,137,633	435,135
Deficit	(10,159,033)	(9,248,236)	(6,131,140)
Shareholders' (deficiency) equity		(657,000)	383,306
Revenue	1,121,430	832,885	695,960
Gross profit	606,419	562,055	506,141
Net loss and comprehensive loss	(2,004,186)	(3,387,819)	(2,161,770)
Loss per share basic and diluted	(0.08)	(0.18)	(0.12)

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 and a net loss of \$2.2 million with basic and diluted loss of \$0.12 per share for the year ended February 28, 2018.

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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.

Year ended February 28, 2019 compared with the year ended February 28, 2018

The Company's net loss was \$3.4 million for the year ended February 28, 2019, with basic and diluted loss of \$0.18 per share. This compares with a net loss of \$2.2 million with basic and diluted loss of \$0.12 per share for the year ended February 28, 2018 and a net loss of \$1.3 million with basic and diluted loss of \$0.08 per share for the year ended February 28, 2017.

The increase of \$1.2 million in the net loss in the year ended February 28, 2019 relative to the prior year was principally because:

- Revenues increased by approximately \$0.1 million to \$0.8 million in FY 2019 relative to the previous year representing a 19.7% increase, owing primarily to a significant increase in FFA parcel volume offset by decreased member shipments.
- Gross profit of \$0.6 million for the year ended February 28, 2019 increased \$0.06 million relative to the prior year representing an 11.0% increase. As a percentage of revenue, the gross profit in FY 2019 decreased to 67.5%, down from 72.7% in the prior year. This is related to the shift of revenue from member shipments towards partner shipments. The direct costs associated with partner shipments are greater, and so is the revenue per parcel.
- The Company had administrative expenses of \$2.2 million during the year ended February 28, 2019 compared to \$1.9 million the prior year representing a 19.4% increase. The increase was primarily a result of increases in salaries and benefits compared with the prior year.
- The Company incurred \$1.7 million in non-cash share-based compensation during the year ended February 28, 2019 in comparison with \$0.8 million during the year ended February 28, 2018.

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The consolidated statements of financial position of the Company as at February 29, 2020, and February 28, 2019, and 2018 were as follows:

	As at February 29, 2020 \$	As at February 28, 2019 \$	As at February 28, 2018 \$
Current assets	2,330,693	261,874	522,030
Non-current assets	137,628	218,759	296,411
Total assets	2,468,321	480,633	818,441
Current liabilities	784,724	1,077,008	333,519
Long-term liabilities	13,045	60,625	101,616
Total liabilities	797,769	1,137,633	435,135
Share capital	8,260,886	6,001,685	5,148,042
Warrant reserve	1,499,079	83,944	481,750
Stock option reserve	2,069,620	2,473,983	884,654
Equity component of convertible debentures	-	31,624	-
Deficit	(10,159,033)	(9,248,236)	(6,131,140)
Shareholders' equity (deficiency)	1,670,552	(657,000)	383,306
Total liabilities and shareholders' (deficiency) equity	2,468,321	480,633	818,441

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 and warrant reserve.

Current liabilities as at February 29, 2020 decreased due to the debentures being paid off and also as at February 28, 2019 they were classified as current as they were payable within one year. Long term liabilities in the form of loans and borrowings continued to decrease as at February 29, 2020 to \$0.01 million due to cash payments of approximately \$54,000 made in FY 2020 as a result of PUDO purchasing certain assets and liabilities of 640624 N.B. Ltd. ("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) (\$)				
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)
2019-Feb. 28	223,371	(791,279)	(0.04)	143,525	(613,073)	(298,602)	(23,130)
2018-Nov. 30	243,965	(713,360)	(0.04)	156,027	(546,238)	(317,838)	(5,311)
2018-Aug. 31	178,285	(1,443,289)	(0.07)	125,086	(526,841)	(1,036,819)	(4,715)
2018-May 31	187,264	(443,996)	(0.02)	137,416	(549,567)	(26,714)	(5,131)

Revenue and gross profit have fluctuated over the past eight quarters as a result of new partners using the PUDO Network and services. Also, the general increase in consumer e-commerce demand directly effects courier volumes and typically results in higher volumes leading into the Christmas season. The net loss is directly affected by revenues, gross profit, non-cash stock compensation expense as well as the level of administrative expenses, which decreased the last two quarters as a result of changes in the management team.

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

Notwithstanding the massive global disruption to the e-commerce supply chain caused by the early 2020 onset of the COVID-19 pandemic, e-commerce as a whole and logistics in particular, adjusted at lightning speed to recover and gain considerable ground. This underscores the importance of relationships and network integration during the critical last-mile.

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Amidst all of this, PUDO was able to accelerate PUDOpoint activation, optimize operator systems, and enhance the customer experience. E-commerce and courier giants hit hardest by the pandemic, looked to PUDO to help them extend their own networks on a contracted pay-as-they-go basis, which was in and of itself validation that the PUDOpoint Network model works as it was designed to, and is scalable as long as its funded and there are enough people in place to ensure IT integration and optimal customer experience.

The pandemic turned the world's attention away from the 'world on fire' environmental story that was capturing headlines and driving social and economic policy straight through to the end of 2019. As we emerge from the pandemic with new normal standards of living, the environment is returning as a policy issue domestically and globally.

We will see more reports like the January 2020 declaration by the WEF, and more detailed and specific calls to action. The timing is serendipitous for the Company. Consumers are back in the driver's seat, exercising small change to affect big change, and this widespread empowerment is a huge opportunity for PUDO.

For the most part, e-commerce consumers are mobile, tech-savvy, and aware. Environment aside, the greatest percentage of heavy e-commerce users participate in the sharing economy and understand that community-based support can drive positive social change.

In leveraging these sensibilities with consumers and like-minded business organizations, PUDO has a wide-open opportunity to grow their business from a consumer membership level, and by default involve the many e-commerce ecosystem players that those consumer members conduct online business with; including those overseas.

Finally, looking forward to a post pandemic North America where people have established or re-established relationships with community-based businesses, the very notion of consumer, courier, and online retailer support for a network built on community-based small businesses operating PUDOpoint Counters, is very promising.

COVID-19:

Subsequent to year end, 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 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 great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

As of May 28, 2020, 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 and central bank responses, 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 29, 2020, the Company had cash of \$2,038,493 (February 28, 2019 - \$50,639), had a working capital surplus of \$1,545,969 (2019 – working capital deficiency \$815,134), had not yet achieved profitable operations, had used cash in operating activities of \$878,971 for the year ended February 29, 2020 (2019 - \$1,303,492), had a deficit of \$10,159,033 as at

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February 29, 2020 (2019 - \$9,248,236) and had shareholders' equity of \$1,670,552 (2019 - \$657,000 deficiency). 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 28, 2020, the Company has (i) 26,511,848 common shares outstanding; (ii) 6,939,025 warrants exercisable for the purchase of 6,939,025 common shares (iii) 1,634,875 stock options exercisable for the purchase of 1,634,875 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.

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

(a) Loans

	2020	2019	2018
Loan payable (Atlantic Canada Opportunities Agency)			
15 instalments repayable at \$4,458 per month	\$ 66,870	\$ 120,366	\$ 173,862
Less: Discount on future contractual cash flows	6,244	18,750	36,932
	60,626	101,616	136,930
Less: Current portion	47,581	40,991	35,314
	\$ 13,045	\$ 60,625	\$ 101,616

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Future repayments on the borrowings as at February 29, 20120 include the following:

March 1, 2020 to February 28, 2021	53,496
March 1, 2021 to June 22, 2021	<u>13,374</u>
Principal amount	<u>\$ 66,870</u>

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 \$12,500 (February 28, 2019 - \$18,177) for the Kinek loan during the year ended February 29, 2020. The rate used in determining the appropriate present value of the borrowings was subject to management estimation.

(b) Promissory Note

During the year ended February 29, 2020, the Company raised \$591,000 via a promissory note from a company with a common officer and director. This note carried an interest rate of 20% per annum, payable on demand. On November 7, 2019, \$425,000 of the promissory note was settled by the issuance of 944,445 units of the Company. Each unit entitles the holder to receive one common share of the Company and one warrant with a strike price of \$0.54 and expiration date of November 7, 2020.

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

In March 2020, the promissory note including accrued interest was fully repaid.

(c) Convertible Debentures

On November 8, 2018, the Company completed a non-brokered private placement of an unsecured convertible debenture in the amount of \$100,000. The debenture carries an interest rate of 12% payable annually with a maturity date of November 8, 2019. At the option of the holder, the principal and the interest may be converted to common shares of the Company at a conversion price of \$0.95 per share and market price, respectively, at any time up to and including the maturity date of the debenture (with a hold period of four months plus one day). The fair value of the liability component of this convertible debenture was estimated to be \$100,520 by calculating the present value of the principal and interest payments, discounted at a rate of 17%, being management's best estimate of the rate that a non-convertible debenture would bear. The fair value of the option component of this convertible debenture at issuance was estimated to be \$4,274 using the residual method. The effective interest rate on this convertible debenture was estimated to be 17% per annum. The proceeds of the convertible debenture are being used for general corporate purposes. On November 8, 2019,

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the debenture was renewed at the interest and discount rate of 12% and 17% respectively. The fair value of the liability component of the renewed debenture was \$107,214 and the option component was \$4,786. On January 31, 2020, the debenture was repaid for \$114,616, including interest incurred to this date.

On November 30, 2018, the Company completed a non-brokered private placement of an unsecured convertible debenture in the amount of \$400,000. The debenture carries an interest rate of 9% payable annually with a maturity date of November 30, 2019. At the option of the holder, the principal and the interest may be converted to common shares of the Company at a conversion price of \$0.95 per share and market price, respectively, at any time up to and including the maturity date of the debenture (with a hold period of four months plus one day). The fair value of the liability component of this convertible debenture was estimated to be \$387,567 by calculating the present value of the principal and interest payments, discounted at a rate of 17%, being management's best estimate of the rate that a non-convertible debenture would bear. The fair value of the option component of this convertible debenture at issuance was estimated to be \$27,350 using the residual method. The effective interest rate on this convertible debenture was estimated to be 17% per annum. The proceeds of the convertible debenture are being used for general corporate purposes. On November 30, 2019, the debenture was renewed at the interest and discount rate of 9% and 17% respectively. The fair value of the liability component of the renewed debenture was \$406,188 and the option component was \$29,812. On January 24, 2020, the debenture was repaid for \$441,226, including interest incurred to this date.

Opening balance – February 28, 2018	\$ -
Convertible debentures	468,376
Accretion expense	7,410
Interest expense	12,301
Balance – February 28, 2019	\$ 488,087
Accretion expense	27,288
Interest Expense	40,467
Repayment	(555,842)
Balance – February 29, 2020	\$ -

A summary of the cash flows and essential components thereof for the years ended February 29, 2020 and February 28, 2019 are outlined below.

Details	As at / year ended Feb. 29, 2020 (\$)	As at / year ended Feb 28, 2019 (\$)	Comments
Total assets	2,468,321	480,633	
Cash & cash equivalents	2,063,861	75,890	<i>Includes restricted cash of \$25,378</i>
Working capital surplus (deficiency)	1,545,969	(815,134)	<i>Includes non-cash working capital</i>
Cash flows used in operating activities (including non-cash)	(878,971)	(1,303,492)	<i>Decrease attributable to a decrease in the operating loss offset by increase in trade and other receivables and a decrease in trade and other payables as at Feb. 29, 2020.</i>

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Details	As at / year ended Feb. 29, 2020 (\$)	As at / year ended Feb 28, 2019 (\$)	Comments
Cash flows used in investing activities	(72,497)	(73,869)	<i>Decreased FY 2020 cash outflows a result of a very slight reduction of equipment purchases.</i>
Cash provided by financing activities	2,967,942	1,052,546	<i>Net proceeds of private placement of common shares offset by payments of convertible debentures.</i>

Significant accounting policies

(a) Changes in accounting standards

The Company adopted the following standard effective March 1, 2019

IFRS 16 – *Leases* (“IFRS 16”) was amended in January 2016 which replaces IAS 17 - *Leases* and addresses the accounting of leases. IFRS 16 eliminates the classification as an operating lease and requires lessees to recognize a right-of-use asset and a lease liability in the statement of financial position for all leases with exemptions permitted for short-term leases and leases of low value assets. In addition, IFRS 16 changes the definition of a lease, sets the requirement on how to account for the asset and liability, including complexities such as non-lease elements, variable lease payments and options periods. IFRS 16 is effective for annual years beginning on or after January 1, 2019. As at February 29, 2020 the Company does not hold any leases, therefore the adoption of this standard has not had a material impact on the Company’s financial statements.

The Company adopted the following standards effective March 1, 2018.

IFRS 9 – *Financial Instruments* (“IFRS 9”) was issued by the IASB in November 2009 with additions in October 2010 and August 2013 and replaces 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. There was no material impact on the adoption of this standard on the Company’s financial statements.

IFRS 15 *Revenue from Contracts with Customers* - On March 1, 2018, the Company adopted IFRS 15 – *Revenue from Contracts with Customers* (“IFRS 15”) which supersedes IAS 18 – *Revenue* (“IAS 18”). IFRS 15 establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard is effective for annual periods beginning on or after January 1, 2018. The Company adopted the standard on March 1, 2018 using the full retrospective approach. As the company already observed a similar revenue recognition process, there was no material impact on adoption of IFRS 15. IFRS 15 requires entities to recognize revenue when “control” of goods or services transfers to the customer whereas the previous standard, IAS 18, required entities to recognize revenue when the “risks and rewards of ownership” of the goods or services transfer to the customer.

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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 PUDOpoint; and (ii) consumers choose to have their parcels delivered directly to a KinekPoint or PUDOpoint. In each event, the Company recognizes revenue when the services are provided, when persuasive evidence of an arrangement exists, the fixed price is determinable and there is reasonable assurance of collection.

The Company has adopted the following amendments effective March 1, 2018.

IFRS 2 – *Share-based Compensation* (“IFRS 2”) was amended by the IASB in June 2016 to clarify the accounting for cash-settled share-based compensation transactions that include a performance condition, the classification of share-based compensation transactions with net settlement features and the accounting for modifications of share-based compensation transactions from cash-settled to equity-settled.

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.

There was no material impact from the adoption of these amendments on the Company's financial statements.

(b) Foreign currencies

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

Prior to March 1, 2018, the functional currency of PUDOpoint Inc., a subsidiary of the Company, was the Canadian dollar. Per IAS 21 – *The Effects of Changes in Foreign Exchange Rates* (“IAS 21”), an entity's functional currency should reflect the underlying transactions, events and conditions that are relevant to the entity. Management considered primary and secondary indicators in determining functional currency including the currency that influences sales prices, labour, purchases and other costs. Other indicators including the currency in which funds from financing activities are generating and the currency in which receipts from operations are usually retained.

Based on these factors, management concluded that effective March 1, 2018, PUDOpoint Inc.'s functional currency became the United States dollar (“USD”). One of the main factors affecting the decision was that the subsidiary began incurring expenses during the period, all of which were in USD.

(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 (note 8), 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 statement 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 financial statements when the Company becomes party to the contractual provision of a financial instruments. 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 instruments 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, advances payable, 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).

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 note 13.

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 and warrants held at the year ended February 29, 2020 and February 28, 2019 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 29, 2020 and February 28, 2019, 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 29, 2020, the Company incurred bookkeeping fees and office rental, which is included in accounting and office expense, of \$144,240 (2019 - \$167,400) to a company with a common officer and director.

During the years ended February 29, 2020 and February 28, 2019, the Company had the following transactions with shareholders, management and directors:

	2020	2019
Share-based compensation	\$ 597,672	\$ 1,679,973
Salaries and benefits	448,828	671,665
Consulting fees	67,210	39,448
	\$ 1,113,710	\$ 2,391,087

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As at February 29, 2020, balances payable to the related parties noted above amounted to \$140,313 (2019 - \$243,436) and are included in trade and other payables. These balances are unsecured, non-interest bearing and due on demand.

As previously described in 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.

	2020		2019
Revenue from one customer	\$ 611,780	\$	483,158
% of total revenue	55%		58%
Account receivable from one customer	\$ 107,189	\$	55,722
% of total accounts receivable	60%		54%

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

	2020	2019
Cash	\$ 2,038,493	\$ 50,639
Restricted short-term investment	25,378	25,251
Trade and other receivables	213,701	110,698
	\$ 2,277,572	\$ 186,588

(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 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

As at February 28, 2019	1 Year or Less	Greater than 1 year	Total
Trade and other payables	\$ 547,930	\$ -	\$ 547,930
Loans and borrowings	541,583	66,870	608,453
	\$ 1,089,513	\$ 66,870	\$ 1,156,383

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.

Revenue by geographic region is as follows:

	2020	2019
Canada	\$ 833,558	\$ 521,521
United States of America	287,872	311,364
	\$ 1,121,430	\$832,885

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(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 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. As at February 29, 2020 and February 28, 2019, the Company had cash, trade and other receivables and trade and other payables denominated in US dollars as follows:

As at February 29, 2020	USD	CAD Equivalent
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

As at February 28, 2019	USD	USD
Cash	\$ 18,409	\$ 24,252
Trade and other receivables	29,225	38,502
Trade and other payables	(27,642)	(36,416)
	\$ 19,992	\$ 26,338

(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. The Company defines capital as shareholders' equity and loans and borrowings. As at February 29, 2020, the Company had shareholders' equity of \$1,670,552 (2019 – shareholders' deficiency \$657,000) and loans and borrowings of \$290,086 (2019 - \$589,703).

The Company's capital management objectives, policies and processes have remained materially unchanged during the years ended February 29, 2020 and February 28, 2019.

(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 29, 2020, would affect the net loss by approximately \$3,000 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 December 31, 2019, 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 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:

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- (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 29, 2020 and February 28, 2019 are as follows:

Cost of sales	February 29, 2020	February 28, 2019
External processing charges	\$ 503,712	\$ 257,508
Computer and web access charges	11,298	13,322
Total cost of sales	\$ 515,010	\$ 270,830

Administrative expenses	February 29, 2020	February 28, 2019
Salaries and benefits	\$ 875,207	\$ 1,177,424
Consulting fees	192,010	172,884
General and administrative expenses	179,603	196,469
Travel, promotion, and business development	147,425	127,020
Accounting and office	144,240	167,400
Professional fees	79,196	108,918
Investor relations	54,380	66,536
Agent and filing fees	42,636	44,295
Foreign exchange (gain) loss	(3,518)	19,148
Amortization	153,628	151,521
Total administrative expenses	\$ 1,864,807	\$ 2,231,615