

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.

A complete copy of condensed interim unaudited financial statements for the three and six month periods ended August 31, 2021 and 2020, 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 14.

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,

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

None in this Quarter - Please refer to Schedule A – Financial Statements – Note 10 and 11.

(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

None in this Quarter - Please refer to Schedule A – Financial Statements – Note 12.

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' (Deficiency) Equity Page 3 and Notes 10, 11, and 12.

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.

<i>Frank Coccia</i>	<i>Chief Executive Officer</i>
<i>Doug Baker</i>	<i>Chief Financial Officer</i>

<i>Richard Cooper</i>	<i>Director - Chairman</i>
<i>Tom Bijou</i>	<i>Director</i>
<i>Murray Cook</i>	<i>Director</i>
<i>Howard Westerman</i>	<i>Director</i>
<i>Tracy K. Bramlett</i>	<i>Director</i>

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, 2021 and 2020, 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 28, 2021.

Frank Coccia
Name of Director or Senior Officer

/s/ Frank Coccia
Signature

CEO
Official Capacity

Issuer Details Name of Issuer	For Quarter Ended	Date of Report YY/MM/DD
PUDO Inc.	August 31, 2021	21/09/28
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.
Frank Coccia	CEO	(844) 300-8533
Contact Email Address	Web Site Address	
frank.coccia@pudopoint.com	www.pudopoint.com	

PUDO INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE THREE AND SIX MONTH PERIODS ENDED AUGUST 31,
2021**

(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	Notes	August 31, 2021	February 28, 2021
Assets			
Current assets			
Cash		\$ 405,454	\$ 749,708
Restricted short-term investment		25,632	25,504
Trade and other receivables	3, 5	221,346	377,962
Prepaid expenses and deposits		61,292	74,390
Total current assets		713,724	1,227,564
Non-current assets			
Equipment	6	39,538	60,340
Intangible assets	7	84,316	105,544
Total assets		\$ 837,578	\$ 1,393,448
Liabilities			
Current liabilities			
Trade and other payables	8, 14	\$ 502,070	\$ 464,652
Loans and borrowings	9	-	13,045
Total current liabilities		502,070	477,697
Total liabilities		502,070	477,697
Shareholders' equity			
Share capital	10	8,972,581	9,060,580
Stock option reserve	12	2,345,349	2,204,607
Deficit		(10,982,422)	(10,349,436)
Shareholders' equity		335,508	915,751
Total liabilities and shareholders' equity		\$ 837,578	\$ 1,393,448

Nature of operations and going concern (note 1)

Commitments and contingencies (note 15)

Approved by the Board of Directors:

"Thomas Bijou"

Director

"Richard Cooper"

Director

See accompanying notes to the 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,	
	Notes	2021	2020	2021	2020
Revenue	3	\$ 447,034	\$ 269,685	\$ 963,281	\$ 583,318
Cost of sales	13	(306,452)	(169,796)	(666,341)	(378,953)
Gross profit		140,582	99,889	296,940	204,365
Administrative expenses	13	(408,734)	(355,214)	(876,850)	(743,253)
Share-based compensation	12	(63,334)	(78,223)	(140,742)	(117,574)
Operating loss		(331,486)	(333,548)	(720,652)	(656,462)
Finance costs	9	-	(2,720)	(333)	(8,985)
Net loss and comprehensive loss for the period		\$ (331,486)	\$ (336,268)	\$ (720,985)	\$(665,447)
Loss per share - basic and diluted		\$ (0.01)	\$ (0.01)	\$ (0.03)	\$ (0.02)
Weighted average number of shares outstanding - basic and diluted		27,117,584	26,646,931	27,117,584	26,646,931

See accompanying notes to the unaudited condensed interim consolidated financial statements

PUDO Inc.
Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)
(Unaudited)

	# of Common Shares	Share Capital	Warrant Reserve	Stock Option Reserve	Deficit	Total
Balance, February 29, 2020	26,511,848	\$ 8,260,886	\$1,499,079	\$ 2,069,620	\$ (10,159,033)	\$ 1,670,552
Share-based compensation (note 12, 14)	-	-	-	117,574	-	117,574
Stock options exercised (note 12)	135,083	270,325	-	(118,938)	-	151,387
Options forfeited (note 12)	-	-	-	(44,384)	44,384	-
Net loss for the six month period ended August 31, 2020	-	-	-	-	(665,447)	(665,447)
Balance, August 31, 2020	26,646,931	8,531,211	1,499,079	2,023,872	(10,780,096)	1,274,066
Share-based compensation (note 12)	-	-	-	389,339	-	389,339
Stock options exercised (note 12)	-	-	-	-	-	-
Warrants exercised	470,653	441,371	(102,075)	(16,261)	-	323,035
Broker warrants expired (note 10)	-	-	(1,397,004)	-	1,397,004	-
Options forfeited (note 12)	-	-	-	(192,343)	192,344	1
Issuance of common shares to settle payable to vendor (note 10)	44,444	87,998	-	-	-	87,998
Net loss for the six month period ended February 28, 2021	-	-	-	-	(1,158,688)	(1,158,688)
Balance, February 28, 2021	27,162,028	9,060,580	-	2,204,607	(10,349,436)	915,751
Share-based compensation (note 12)	-	-	-	140,742	-	140,742
Cancellation of issuance of common shares to settle payable to vendor (note 10)	(44,444)	(87,999)	-	-	87,999	-
Net loss for the six month period ended August 31, 2021	-	-	-	-	(720,985)	(720,985)
Balance, August 31, 2021	27,117,584	\$ 8,972,581	\$ -	\$ 2,345,349	\$ (10,982,422)	\$ 335,508

See accompanying notes to the unaudited condensed interim consolidated financial statements

PUDO Inc.**Condensed Interim Consolidated Statements of Cash Flows****(Expressed in Canadian Dollars)****(Unaudited)**

	Notes	Six Months Ended August 31, 2021	Six Months Ended August 31, 2020
Cash flows used in operating activities			
Net loss for the period		\$ (720,985)	\$ (665,447)
Adjustments for:			
Amortization	6, 7	45,363	54,347
Accretion expense	9	329	7,237
Share-based compensation	12	140,742	117,574
Allowance for doubtful accounts	5	2,337	199
Net change in working capital:			
Restricted short-term investment		(128)	(126)
Trade and other receivables		156,616	4,440
Prepaid expenses and deposits		13,098	(24,211)
Trade and other payables		37,418	(80,255)
Cash flows used in operating activities		(325,210)	(586,242)
Cash flows used in investing activities			
Purchase of equipment	6	(3,333)	(43,778)
Purchase of intangible assets	7	-	(34,625)
Cash flows used in investing activities		(3,333)	(78,403)
Cash flows provided by (used in) financing activities			
Proceeds from exercise of warrants and options	11,12	-	71,133
Repayment of advances payable and borrowings	9	(13,045)	(252,364)
Cash flows used in financing activities		(13,045)	(181,231)
Change in cash during the period		(341,588)	(845,876)
Cash, beginning of period		749,708	2,038,493
Effect of translation of foreign currency		(2,666)	(8,744)
Cash, end of period		\$ 405,454	\$ 1,183,873
Supplemental information:			
Exercised option payment settled against accounts payable		\$ -	\$ 81,563

See accompanying notes to the unaudited condensed interim consolidated financial statements

PUDO Inc.

Notes to Condensed Interim Consolidated Financial Statements

Six Months Ended August 31, 2021 and 2020

(Expressed in Canadian Dollars)

(Unaudited)

1. Nature of operations and going concern

The principal activity of PUDO Inc. (the “Company”) is using technology to improve the connection between e-commerce and consumers. The Company deploys its’ technology to provide consumers with convenient locations to pick-up or drop-off e-commerce parcels. 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 it’s convenient, when it’s convenient for them.

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

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

Going Concern

These 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, 2021, the Company had a working capital surplus of \$211,654 (February 28, 2021 – \$749,867), had not yet achieved profitable operations, had used cash in operating activities of \$325,210 for the six-month period ended August 31, 2021 (August 31, 2020 - \$586,242), had a deficit of \$10,982,422 as at August 31, 2021 (February 28, 2021 - \$10,349,436) and had shareholders’ equity of \$335,508 (February 28, 2021 – \$915,751). 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 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 condensed interim consolidated financial statements of the Company were prepared in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting as issued by the International Accounting Standards Board (“IASB”) using the accounting policies the Company adopted in its annual condensed consolidated financial statements as at and for the year ended February 28, 2021.

The condensed interim consolidated financial statements of the Company for the three and six month periods ended August 31, 2021 were approved and authorized for issue by the Board of Directors on September 28, 2021.

(b) Basis of presentation

The condensed interim consolidated financial statements have been prepared on a historical cost basis. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

PUDO Inc.

Notes to Condensed Interim Consolidated Financial Statements

Six Months Ended August 31, 2021 and 2020

(Expressed in Canadian Dollars)

(Unaudited)

2. Basis of preparation (continued)

(c) Basis of consolidation

The condensed interim consolidated financial statements comprise the financial statements of the Company and its wholly-owned subsidiaries PUDOpoint Inc., 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. Financial risk management

(a) Fair values

The carrying amounts of, cash, restricted short-term investment, trade and other receivables, 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. A significant portion of the Company's revenues are from one customer. This customer is comprised of three different businesses operated independently under common control.

PUDO Inc.

Notes to Condensed Interim Consolidated Financial Statements Six Months Ended August 31, 2021 and 2020 (Expressed in Canadian Dollars) (Unaudited)

3. Financial risk management (continued)

	Three Months Ended August 31,		Six Months Ended August 31,	
	2021	2020	2021	2020
Revenue from one customer	\$ 215,336	\$ 155,584	\$ 521,769	\$ 362,180
% of total revenue	48%	58%	54%	62%
			August 31, 2021	February 28, 2021
Accounts Receivable from one Customer			64,175	94,848
% of total accounts receivable			34%	30%

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

	August 31, 2021	February 28, 2021
Cash	\$ 405,454	\$ 749,708
Restricted short-term investment	25,632	25,504
Trade and other receivables	221,346	377,962
	\$ 652,432	\$ 1,153,174

(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, 2021	1 Year or Less	Greater than 1 year	Total
Trade and other payables	\$ 502,070	\$ -	\$ 502,070
Loans and borrowings	-	-	-
	\$ 502,070	\$ -	\$ 502,070
February 28, 2021	1 Year or Less	Greater than 1 year	Total
Trade and other payables	\$ 464,652	\$ -	\$ 464,652
Loans and borrowings	13,373	-	13,373
	\$ 478,025	\$ -	\$ 478,025

In order to meet such cash commitments, the Company will be required to generate sufficient cash inflows from operating and financing activities.

PUDO Inc.

Notes to Condensed Interim Consolidated Financial Statements Six Months Ended August 31, 2021 and 2020 (Expressed in Canadian Dollars) (Unaudited)

3. Financial risk management (continued)

(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 for the three and six month periods is as follows:

	Three Months Ended August 31,		Six Months Ended August 31,	
	2021	2020	2021	2020
Canada	\$ 425,072	\$ 248,860	\$ 917,758	\$ 534,769
United States of America	21,962	20,825	45,523	48,549
	\$ 447,034	\$ 269,685	\$ 963,281	\$ 583,318

(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 exchange rate. The Company purchases goods and services and generates revenues 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 August 31, 2021 and February 28, 2021, the Company and its subsidiaries had cash, trade and other receivables and trade and other payables denominated in US dollars as follows:

As at August 31, 2021	USD	CAD Equivalent
Cash	\$ 58,574	\$ 73,903
Trade and other receivables	52,622	66,393
Trade and other payables	(28,902)	(36,466)
	\$ 82,294	\$ 103,830

As at February 28, 2021	USD	CAD Equivalent
Cash	\$ 35,524	\$ 45,062
Trade and other receivables	120,257	152,546
Trade and other payables	(66,522)	(84,383)
	\$ 89,259	\$ 113,225

(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.

PUDO Inc.

Notes to Condensed Interim Consolidated Financial Statements

Six Months Ended August 31, 2021 and 2020

(Expressed in Canadian Dollars)

(Unaudited)

3. Financial risk management (continued)

(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 shareholder's equity, loans and borrowings. As at August 31, 2021, the Company had shareholders' equity of \$335,508 (February 28, 2021 – \$915,751) and loans and borrowings of \$ nil (February 28, 2021 - \$13,045).

The Company's capital management objectives, policies and processes have remained materially unchanged during the six-month period ended August 31, 2021 and the year ended February 28, 2021.

(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 current US dollar denominated balances as at August 31, 2021, would affect the net loss by approximately plus or minus \$1,000 during a year.

4. 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.

The judgments, estimates and assumptions applied in the condensed interim consolidated financial statements, including the key sources of estimation uncertainty, have been updated based on information at August 31, 2021 and with particular respect to the analysis of potential impairment of the Company's assets and its ability to continue as a going concern.

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 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 each reporting period end date.

Income, value added, withholding and other taxes

The Company is subject to income, value added, withholding and other taxes. Judgment is required in determining the Company's provisions for taxes. 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.

PUDO Inc.

Notes to Condensed Interim Consolidated Financial Statements Six Months Ended August 31, 2021 and 2020 (Expressed in Canadian Dollars) (Unaudited)

4. Critical accounting estimates and judgments (continued)

Share-based compensation

The Company measures the cost of equity-settled transactions with employees, consultants, officers and directors by reference to the fair value of the equity instruments at the date on which they are granted. Estimating fair value for share-based compensation 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 behaviours and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

5. Trade and other receivables

	August 31, 2021	February 28, 2021
Trade receivables	\$ 190,320	\$ 316,655
HST receivable	2,188	13,795
Other receivables	28,838	47,512
	\$ 221,346	\$ 377,962

Allowance for doubtful accounts as at August 31, 2021 was \$ 2,337 (February 28, 2021 – \$ 199).

6. Equipment

Scanners and Tablets	Cost	Accumulated Amortization	Net Book Value
Balance at February 29, 2020	\$ 261,892	\$ 208,950	\$ 52,942
Additions / amortization	54,965	47,567	7,398
Balance at February 28, 2021	\$ 316,857	\$ 256,517	\$ 60,340
Additions / amortization	3,333	24,135	(20,802)
Balance at August 31, 2021	\$ 320,190	\$ 280,652	\$ 39,538

7. Intangible assets

Computer Software	Cost	Accumulated Amortization	Net Book Value
Balance at February 29, 2020	\$ 709,398	\$ 624,712	\$ 84,686
Additions / amortization	64,994	44,136	20,858
Balance at February 28, 2021	\$ 774,392	\$ 668,848	\$ 105,544
Additions / amortization	-	21,228	(21,228)
Balance at August 31, 2021	\$ 774,392	\$ 690,076	\$ 84,316

PUDO Inc.

Notes to Condensed Interim Consolidated Financial Statements Six Months Ended August 31, 2021 and 2020 (Expressed in Canadian Dollars) (Unaudited)

8. Trade and other payables

	As at August 31, 2021	As at February 28, 2021
Trade payables	\$ 265,064	\$ 133,995
QST payable	2,842	6,796
Other payables	168,547	146,399
Accrued liabilities	65,617	177,462
	\$ 502,070	\$ 464,652

9. Loans and borrowings

(a) Loans

On March 3, 2016, the Company assumed borrowings from 640624 N.B. Ltd. (o/a Kinek) 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 \$329 (August 31, 2020 - \$3,842) for the six-month period ended August 31, 2021. The rate used in determining the appropriate present value of the borrowings was subject to management estimation. On May 31, 2021, the Company made its final payment on this loan.

	August 31, 2021	February 28, 2021
Loan payable (Atlantic Canada Opportunities Agency) nil instalments repayable at \$4,458 per month	\$ -	\$ 13,374
Less: Discount future contractual cash flows	-	329
	-	13,045
Less: Current portion	-	13,045
	\$ -	\$ -

10. 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, non-voting and non-participating (none currently issued and outstanding).

PUDO Inc.

Notes to Condensed Interim Consolidated Financial Statements

Six Months Ended August 31, 2021 and 2020

(Expressed in Canadian Dollars)

(Unaudited)

10. Share capital (continued)

(b) Issued

Common Shares	Number	Amount
Balance, February 29, 2020	26,511,848	\$ 8,260,886
Common share activity (i) (ii) (iii) (iv) (v) (vi) (vii) (viii) and (ix)	650,180	\$ 799,694
Balance, February 28, 2021	27,162,028	\$ 9,060,580
Common share activity (vi)	(44,444)	(87,999)
Balance, August 31, 2021	27,117,584	\$ 8,972,581

- (i) In August 2020, a number of the Company's employees and consultants exercised their stock options. As a result, 120,529 shares at the exercise value of \$151,388 were issued. The common shares were valued at \$270,325.
- (ii) In September 2020, a warrant holder exercised 8,620 warrants. As a result, 8,620 shares at the exercise value of \$5,948 were issued. The common shares and warrants were valued at \$7,930 and \$1,983, respectively.
- (iii) In October 2020, a warrant holder exercised 23,000 warrants. As a result, 23,000 shares at the exercise value of \$15,870 were issued. The common shares and warrants were valued at \$21,160 and \$5,289, respectively.
- (iv) In November 2020, a warrant holder exercised 48,685 warrants while allowing 84,648 remaining warrants to expire. As a result, 48,685 shares at the exercise value of \$26,290 were issued. The common shares were valued at \$35,053. The warrants that expired had a fair market value of \$14,991.
- (v) In November 2020, a number of companies with a common director or officer exercised 88,889 warrants while allowing 1,826,666 remaining warrants to expire. As a result, 88,889 shares at the exercise value of \$48,000 were issued. The common shares were valued at \$64,000. The warrants that expired had a fair market value of \$338,506.
- (vi) In November 2020, the Company issued 44,444 common shares to pay for an \$87,998 liability owing to a vendor. This payment arrangement was part of the agreement between the Company and the vendor, signed prior to engaging the vendor. In April 2021, it was mutually agreed between the Company and the vendor to cancel the 44,444 common shares due to vendor not meeting the agreed upon deliverables.
- (vii) In December 2020, warrant holders exercised 229,233 warrants while allowing 124,138 remaining warrants to expire. As a result, 229,233 shares at the exercise value of \$158,171 were issued. The common shares and warrants were valued at \$210,824 and \$52,624, respectively. The warrants that expired had a fair market value of \$24,368.
- (viii) In January 2021, warrant holders exercised 72,226 warrants while allowing 4,432,920 remaining warrants to expire. As a result, 72,226 shares at the exercise value of \$49,836 were issued. The common shares and warrants were valued at \$67,221 and \$17,385, respectively. The warrants that expired had a fair market value of \$1,034,130.
- (ix) In February 2021, the Company's consultants exercised 14,554 stock options. As a result, 14,554 common shares at an exercise price of \$18,920 were issued. The exercise value was settled against the amount payable owing to a consultant. The common shares were valued at \$35,181.

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Notes to Condensed Interim Consolidated Financial Statements Six Months Ended August 31, 2021 and 2020 (Expressed in Canadian Dollars) (Unaudited)

11. Warrant reserve

In April 2021, the Company agreed to issue 40,000 warrants to a vendor. 10,000 warrants are to be vested once the vendor issues a press release announcing the engagement. The remaining 30,000 will vest once the vendor meets predetermined milestones. The vendor will assist the Company in expanding their PUDOpoint network. For every 250 PUDOpoints that the vendor brings on board, 1,250 warrants will vest. The warrants carry an exercise price of USD \$1.20 and will expire on April 2024. As of August 31, 2021, nil warrants had vested.

12. Stock option reserve

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.

The following table reflects the continuity of stock options for the six-month period ended August 31, 2021 and the year ended February 28, 2021:

	Number of stock options	Exercise Price
Balance, February 29, 2020	2,110,500	\$ 1.35
Options issued (i)	225,000	1.14
Options issued (ii)	135,000	1.75
Options issued (iii)	325,000	1.2
Options exercised (iv)	(35,000)	1.2
Options exercised (v)	(74,279)	1.3
Options exercised (i)	(11,250)	1.14
Options expired (iv)	(140,000)	1.3
Options expired (vi)	(108,000)	2.47
Options exercised (note 10 (ix))	(14,554)	1.3
Balance, February 28, 2021	2,412,417	\$ 1.35
Options activity	-	-
Balance, August 31, 2021	2,412,417	\$ 1.35

PUDO Inc.

Notes to Condensed Interim Consolidated Financial Statements

Six Months Ended August 31, 2021 and 2020

(Expressed in Canadian Dollars)

(Unaudited)

12. Stock option reserve (continued)

The following table reflects the actual stock options issued and outstanding as at August 31, 2021:

	Exercise Price (\$)	Remaining contractual life (years)	Weighted average number of options outstanding	Options vested (exercisable)	Estimated grant date fair value (\$)
October 26, 2022	1.30	1.17	1,738,667	1,738,667	-
July 17, 2025	1.14	3.92	213,750	64,688	223,792
July 17, 2025	1.75	3.92	135,000	33,750	129,739
July 17, 2025	1.20	3.92	325,000	81,250	322,030
	1.35	3.23	2,412,417	1,918,355	675,561

- (i) In July 2020, the Company granted 225,000 stock options to directors of the Company. The options were exercisable at a price of \$1.14 per common share and will expire on July 17, 2025. The options vest in 25% increments yearly with the first 25% having vested on July 17, 2020. The grant date fair value of the stock options was estimated to be \$ 223,792 using the Black-Scholes valuation model with the following weighted average assumptions: expected dividend yield of 0%, expected volatility of 152%, risk-free interest rate of 0.18%, and expected life of 4 years. In August 2020, 11,250 of these options were exercised.
- (ii) In July 2020, the Company granted 135,000 stock options to employees and consultants of the Company. The options were exercisable at a price of \$1.75 per common share and will expire on July 17, 2025. The options vest in 25% increments yearly with the first 25% having vested on July 17, 2020. The grant date fair value of the stock options was estimated to be \$129,739 using the Black-Scholes valuation model with the following weighted average assumptions: expected dividend yield of 0%, expected volatility of 152%, risk-free interest rate of 0.18%, and expected life of 4 years.
- (iii) In July 2020, the Company granted 325,000 stock options to a consultant of the Company. The options were exercisable at a price of \$1.20 per common share and will expire on July 17, 2025. The options vest in 25% increments yearly with the first 25% having vested on July 17, 2020. The grant date fair value of the stock options was estimated to be \$322,030 using the Black-Scholes valuation model with the following weighted average assumptions: expected dividend yield of 0%, expected volatility of 152%, risk-free interest rate of 0.18%, and expected life of 4 years.
- (iv) On August 27, 2020, 35,000 options granted to employees and consultants were exercised at the exercise price of \$1.20. The option exercise payment for 20,000 options, was settled against accounts payable that was owed to an option holder. The cash value of accounts payable settled was \$24,000. For the remaining 15,000 options, the exercise payment was received in cash. In the same period, 140,000 of the options granted to employees, directors and consultants expired.

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(Expressed in Canadian Dollars)

(Unaudited)

12. Stock option reserve (continued)

- (v) On August 27, 2020, 74,279 options granted to directors and consultants were exercised at the exercise price of \$1.30. The option exercise payment for 44,279 options, was settled against accounts payable that was owed to an option holder. The cash value of accounts payable settled was \$57,563. For the remaining 30,450 options, the exercise payment was received in cash.
- (vi) In January 2018, the Company granted 108,000 stock options to consultants of the Company. The options were exercisable at a price of \$2.47 per common share and expired on January 28, 2021 and \$192,343 was classified to the deficit for the year ended February 28, 2021.

13. Expenses categorized by nature

Cost of sales	Three Months Ended August 31,		Six Months Ended August 31,	
	2021	2020	2021	2020
External processing charges	\$ 304,142	\$ 167,486	\$ 666,971	\$ 373,252
Computer and web access charges	2,310	2,310	(630)	5,701
	\$ 306,452	\$ 169,796	\$ 666,341	\$ 378,953

Administrative expenses	Three Months Ended August 31,		Six Months Ended August 31,	
	2021	2020	2021	2020
Salaries and Benefits	\$ 245,789	\$ 127,530	\$ 489,831	\$ 288,261
General and administrative expenses	72,697	51,789	158,700	106,814
Travel and business development	8,239	26,929	11,990	55,085
Consulting Fees	12,675	29,676	24,246	63,842
Professional fees	18,261	21,095	50,565	45,965
Investor relations	18,934	23,743	37,711	35,804
Accounting and office	15,690	37,319	28,289	78,718
Agent and filing fees	16,771	15,389	28,483	27,600
Foreign exchange loss (gain)	(23,107)	1,871	1,672	(13,672)
Amortization (notes 6 and 7)	22,785	19,873	45,363	54,347
	\$ 408,734	\$ 355,214	\$ 876,850	\$ 743,253

14. Related party balances and transactions

During the three and six month periods ended August 31, 2021 and 2020, the Company incurred accounting fees and office rental, which is included in accounting and office expense, of \$10,350 and \$20,700 (August 31, 2020 - \$29,850 and 59,700), respectively to a company with a common officer and director.

PUDO Inc.

Notes to Condensed Interim Consolidated Financial Statements Six Months Ended August 31, 2021 and 2020 (Expressed in Canadian Dollars) (Unaudited)

14. Related party balances and transactions (continued)

During the three and six month periods ended August 31, 2021 and 2020, the Company had the following transactions with shareholders, management and directors:

	Three Months Ended		Six Months Ended	
	August 31,		August 31,	
	2021	2020	2021	2020
Share Based Compensation	\$ 63,334	\$ 78,223	\$ 140,742	\$ 117,574
Salaries and benefits	47,693	49,806	95,425	83,484
Consulting fees	9,675	11,676	19,746	23,842
	\$ 120,702	\$ 139,705	\$ 255,913	\$ 224,900

As at August 31, 2021, balances payable to the related parties noted above amounted to \$35,054 (February 28, 2021 - \$32,644) and are included in trade and other payables. These balances are unsecured, non-interest bearing and are due on demand.

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

See also note 8, 9 and 12.

15. Commitments and contingencies

The Company has entered into various agreements for services, which if terminated by the Company would not have any significant impact on the Company's financial statements. These amounts have not been accrued in the condensed interim consolidated financial statements as at August 31, 2021.

PUDO INC.

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS

QUARTERLY HIGHLIGHTS

FOR THE THREE AND SIX MONTH PERIODS ENDED

AUGUST 31, 2021 and 2020

(EXPRESSED IN CANADIAN DOLLARS)

Prepared by:

PUDO Inc.

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

PUDO Inc.
Interim Management's Discussion & Analysis - Quarterly Highlights
Three and six month periods ended August 31, 2021
Discussion dated: September 28, 2021

Introduction

The following interim Management's Discussion and Analysis – Quarterly Highlights (the “Quarterly Highlights”) of the financial condition and results of the operations of PUDO Inc. (“PUDO” or the “Company”) constitutes management's review of the factors that affected the Company's financial and operating performance for the three and six month periods ended August 31, 2021 (“Q2 FY 2022”), together with certain trends and factors that are expected to have an impact in the future.

These Quarterly Highlights have been prepared in compliance with the requirements of section 2.2.1 of Form 51-102F1, in accordance with National Instrument 51-102 - Continuous Disclosure Obligations. This discussion should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements for the three and six month periods ended August 31, 2021, the audited annual consolidated financial statements of the Company for the years ended February 28, 2021 and February 29, 2020, together with the notes thereto, and the Management's Discussion and Analysis (“Annual MD&A”) Report of the Company for the year ended February 28, 2021. 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 these Quarterly Highlights were prepared in compliance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting as issued by the International Accounting Standards Board (“IASB”) using the accounting policies the Company adopted in its annual consolidated financial statements as at and for the year ended February 28, 2021, except for the adoption of new standards effective as of March 1, 2021 and interpretations issued by the IFRS Interpretations Committee (“IFRIC”).

The Company's fiscal year end is February 28.

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

Description of Business

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

PUDO's purpose is to improve the connection between retailers and consumers through e-commerce. PUDO deploys their technology to provide consumers with convenient locations to Pick-Up or Drop-Off (“PUDO” or “Network”) e-commerce parcels. Through collaboration with online retailers, third party logistics companies (“3PL”), Software as a Service (“SaaS”) providers and courier companies, consumers can take secure delivery of their parcels or drop-off returns where, and when, it's convenient for them.

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

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

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Cautionary Note Regarding Forward-Looking Information

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

Management of the Company considers the assumptions on which the forward-looking information contained herein are based to be reasonable. However, by its very nature, forward-looking statements inherently involve known and unknown risks and uncertainties that may cause actual results to differ materially from those expressed or implied by such forward-looking statements. Such risks include, without limitation those risks discussed in the "Risk Factors" section of PUDO's Annual MD&A dated May 26, 2021.

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

Highlights

The World Health Organization declared a global emergency on January 30, 2020 as a result of the 2019 novel coronavirus ("COVID-19"), then characterized it as a pandemic on March 11, 2020. The outbreak spread globally causing companies and various jurisdictions, including Canada and the United States, to impose restrictions, such as quarantines, closures, cancellations, and travel restrictions including closing the Canada – United States border. While these effects were expected to be temporary, and although some vaccines are being approved and administered, the duration of the business disruptions and the related financial impact cannot be reasonably estimated at this time. PUDO's consolidated results in FY 2022 have been negatively impacted by this event. The impact and extent of the outbreak continues to be unknown and will depend on future developments. The Company's employees were able to work from home to manage the PUDO Network in support of its partners and customers.

Below are a few Company highlights during Q2 FY 2022:

- 📍 For the six months ended August 31, 2021, revenue increased \$379,963 to \$963,281 representing a 65.1% increase over the same period in the prior year as a result of the utilization of PUDO services.
- 📍 Management continued to invest in ongoing software development to enhance PUDO's current software technology and database structure to better manage the software application programming interface ("API") integrations of PUDO's existing and new service offerings with current and new partners.
- 📍 On August 4, 2021 PUDO announced a landmark agreement with Turning Point Brands Inc. ("TPB") (NYSE: TPB), a manufacturer, marketer and distributor of branded consumer products, including

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alternative smoking accessories and consumables with active ingredients. This 15-Billion-dollar industry is expected to expand at a compound annual growth rate (CAGR) of 28% from 2021 to 2028. Recent legislation impacted the available options for the delivery of vaping products, which in 2020 was in excess of 100 million parcel deliveries in the US. PUDO will be the definitive vaping industry's delivery solution, leveraging the PUDOpoint Counter locations that continues to expand in the USA and Canada.
https://webfiles.thecse.com/2021-08-04_PUDO_and_TPBI_Announcement_Publish.pdf?FRGTXhH9bulse1efXqZC5glkGEtnZLyi

Capital Resources

During Q2 FY2022, there were nil capital transactions completed.

Operations

PUDOpoint Network

The Company continued to focus on optimizing the PUDO Network to increase alignment with partner parcel volumes while leveraging the Network to develop new partner relationships and services that further enhance revenue opportunities. These focused efforts resulted in a new service being added and increased parcel volumes in PUDO's core revenue streams in the first half of this fiscal year from many of its current partners. IT integration and enhancements remain a strategic focus as the Company looks to increase efficiencies, add new partners, and grow revenue. Through strategic partnerships the Company is positioned well to add new PUDOpoint locations in Canada and the USA. This will provide new e-commerce retail partner locations for residential redirects, increased parcel volumes for direct to PUDOpoint deliveries, and add new revenue service offerings in the coming quarters. The Network remains uniquely positioned to offer cost effective convenient services for returns and to consumers who are looking for an alternative to home delivery.

Parcel Volume Analysis

Parcel volume and other factors within the e-commerce ecosystem can affect PUDO's goals and performance during its continued growth and evolution. During Q2 FY 2022 the COVID-19 pandemic impacted overall parcel volume being delivered within the PUDO Network. With many businesses shut down or working at reduced capacity and employees working from home, first time delivery failures decreased as someone was home to accept packages reducing the requirement for an alternative delivery location. PUDO's Network is comprised mainly of convenience stores that were deemed essential services. This allowed PUDO's partners to successfully utilize alternative delivery locations when they did require the Network. The PUDOpoints supported their local communities as a safe haven for parcel deliveries.

While the Company continued to strategically manage the growth and development of the Network throughout Q2 FY 2022, overall parcel volumes increased by 74.6% compared to the three month period ended August 31, 2020 ("Q2 FY 2021"). In sequential quarters, overall parcel volumes in Q2 FY 2022 as compared to Q1 FY 2022 decreased 5.1%. During this quarter, Q2 FY 2022, partner shipments increased 86.2% over the same quarter in the previous year and during the first six months partner shipments increased 92.3% compared to same period in the prior year. During the same three month period, member shipment volumes were down 20.1% relative to the year earlier quarter as a result of the Canada-USA border continuing to be closed to non-essential travel due to the COVID-19 pandemic. In Q2 FY 2022, partner shipments represented 95% of the Company's total volumes, up from 89.1% in the same quarter in the prior fiscal year.

During the six months ended August 31, 2021 overall parcel volumes increased by 74.6% relative to the six months ended August 31, 2020, primarily as a result of increases in shipments in services that were previously launched or enhanced during the six months ended August 31, 2021.

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

- 📍 *Courier Pickup ("For Pickup" or "FPU")*: During Q2 FY 2022, PUDO continued to see growth within the FPU service with parcel volumes increasing by 326.2% compared to Q2 FY 2021. These volumes increased as PUDO's courier partners increased their utilization of the PUDOpoint Network in Canada enabling their customers to use PUDOpoints locations as drop off sites for pre-labeled parcels for courier pickup and delivery. In sequential quarters, courier pickup parcel volumes in Q2 FY 2022 as compared to the period ended May 31, 2021 ("Q1 FY 2022") decreased by 10.7%. During the six months ended August 31, 2021, FPU parcel volumes increased 405% relative to the six months ended August 31, 2020, as PUDO courier partners utilized the PUDOpoint Counters Network to offer a lower cost returns option to their e-commerce retailers using their courier services for returns.
- 📍 *Failed First Attempts ("FFA")*: During Q2 FY 2022, total FFA parcel volumes increased by 24.7% relative to Q2 FY 2021. In sequential quarters, parcel volumes in Q2 FY 2022 compared to Q1 FY 2022 decreased less than 1%. This decrease between these sequential quarters is most likely related to the impact of COVID-19 and customers continuing to work from home and able to accept their parcels, reducing the requirement of redirects to PUDO locations. During the six months ended August 31, 2021, FFA parcel volumes increased 22.7% relative to the six months ended August 31, 2020, as online e-commerce shopping continued to increase.
- 📍 *Third Party Logistics ("3PL")*: During Q2 FY 2022, 3PL parcel shipments increased by 69.1% over the prior year, Q2 FY 2021. The increase is a result of PUDO partners increasing the volume of parcel shipments that utilize PUDO's preferred shipping rates. In sequential quarters, 3PL parcel shipments in Q2 FY 2022 as compared to Q1 FY 2022 decreased by 36.6%. During the six months ended August 31, 2021, 3PL parcel volumes increased 87.3% relative to the six months ended August 31, 2020. This increase is a result of PUDO partners utilizing the preferred shipping rates provided by PUDO.
- 📍 *Returns*: During Q2 FY 2022 returns parcels increased by 71.8% as compared to the prior year, Q2 FY 2021. In sequential quarters, returns parcel volume in Q2 FY 2022 as compared to Q1 FY 2022 increased by 29.9%. During the six months ended August 31, 2021, returns parcel volumes increased 128.1% relative to the six months ended August 31, 2020. These increases are a result of PUDO's partners increasing the integration of their own clients' return requirements for use of the PUDO service as the value of this service offering provided by PUDO reduced costs for their clients.
- 📍 *Border Member*: During Q2 FY 2022 total member parcel volumes increased by 20% relative to Q2 FY 2021. This decrease is a direct result of COVID-19 and the closure of the Canada – USA border to non-essential travel effective April 2020. In sequential quarters, parcel volumes in Q2 FY 2022 compared to Q1 FY 2022 decreased by 5%. During the six months ended August 31, 2021, border member parcel volumes decreased by 36.6% relative to the six months ended August 31, 2020. These decreases are a result of COVID-19 and the continued confusion regarding the expectations of when the Canada-USA border will re-open to non-essential travel in the near future.
- 📍 *Pickup Counters*: Over 800 PUDOpoint Counter locations are available as "Hub Counters" in the USA and Canada as alternative delivery options for online shopping customers of a large US and Canada e-commerce retailer. These Hub Counters provide a location for safe and secure storage for parcels for pickup by the customer. During Q2 FY 2022 total Pickup Counter parcel volumes increased by 213.8% relative to Q2 FY 2021. The increase is a result of recruiting of new locations being added to the Hub Counter network during the prior year and now being fully utilized by the retailer's customers. In sequential quarters, Pickup Counter parcel volumes in Q2 FY 2022 as compared to Q1 FY 2022 decreased 8.6%. During the six months ended August 31, 2021, Hub Counter parcel volumes increased by 426.2% relative to the six months ended August 31, 2020.

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

Outlook

"These past 18-months have been the very best for the Company," offers PUDO Founder and CEO Frank Coccia. "The same events that re-shaped our nations, our healthcare systems, global logistics, and the retail supply chain, have accelerated the need for and acceptance of the parcel 'pick-up and drop-off' (PUDO) model, also known as 'click and collect'." "We found somewhat solid ground with like-minded partners with whom we could share data and development strategies, and now we have a highly adaptive plug-and-play module to meet the needs of the shared economic future of e-commerce logistics. After a carefully planned start with retailers that control direct cart checkout on their websites, the SaaS platforms and technology solution we are integrating to add PUDO on a retailer's checkout while still providing the courier agnostic platform PUDO represents, will allow us to see a large ramp up in volumes and revenues in earnest starting this October."

Over the course of the 18-months that have passed since the COVID-19 related lockdown of 2020, the logistics industry has bobbed and weaved to accommodate unprecedented supply chain issues, wholesale changes to B2C and B2B e-commerce parcel deliveries, and to the online shopping habits of the tens of millions of North Americans working remotely from home.

At the same time, the biggest and most experienced of the online retailers, as well as global couriers and traditional mail carriers undertook historic and heroic spending and innovation to anticipate the quality and quantity of growth and innovation. The Company worked tirelessly in tandem with these changes, pivoting quickly to meet the ever-changing IT and integration requirements of all stakeholders, while at the same time anticipating and responding to the needs of consumers.

Q2 results show Network-wide growth year over year, but what remains unseen are significant and essential gains in IT integration of the PUDO platform with the major SaaS and other stakeholder partners who have reinvented themselves time and again, to optimize the future of e-commerce.

Technology has and will continue to drive change, but the crippling uncertainty of it appears to be over. Systemic IT and logistics unknowns are now known to the industry and to PUDO, and their challenges can be met to a larger or lesser degree as needed, in real time, to respond to this or future similar crisis.

All indications are that growth and development will be plug-and-play for the Company moving forward, with a new PUDO API that can and will appear in the check-out of independent retailers who use SaaS partner platforms to shop for the best possible rate to ship goods purchased online. This represents a significant and hard-won development above and beyond the North American partnership that PUDO has with North America's largest consolidated marketplace retailer/courier company – one that should benefit all partners as efficiencies and economies of scale optimize service, profitability, and confidence.

Tried and tested, the new PUDO API integration is now available for widespread adoption by retailers looking for time and money saving parcel delivery and return options that are convenient, satisfying and dependable for consumers.

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Financial Condition and Performance

Financial Performance

A summary of selected financial information for the three and six month periods ended August 31, 2021 and 2020 is included below:

PUDO Inc.

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

	Three Months Ended August 31,		Six Months Ended August 31,	
	2021	2020	2021	2020
Revenue	\$ 447,034	\$ 269,685	\$ 963,281	\$ 583,318
Cost of sales	(306,452)	(169,796)	(666,341)	(378,953)
Gross profit	140,582	99,889	296,940	204,365
Administrative expenses	(408,734)	(355,214)	(876,850)	(743,253)
Share-based compensation*	(63,334)	(78,223)	(140,742)	(117,574)
Operating loss	(331,486)	(333,548)	(720,652)	(656,462)
Finance costs	-	(2,720)	(333)	(8,985)
Net loss and comprehensive loss for the period	\$ (331,486)	\$ (336,268)	\$ (720,985)	\$ (665,447)
Loss per share - basic and diluted	\$ (0.01)	\$ (0.01)	\$ (0.03)	\$ (0.02)

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

During the three month period ended August 31, 2021, revenue was \$447,034 (August 31, 2020 - \$269,685), representing an increase of 65.7% over the same period last year due to new partner volumes and the successful sale of additional PUDO services to other partners, offset by the decrease in Failed First Attempt parcels to PUDOpoint Counter Locations as a result of a higher number of consumers being at home to accept their parcels during COVID-19 and as a result of the Canada-USA border being closed to non-essential travel due to COVID-19. For the six months ended August 31, 2021, revenue increased \$379,963 to \$963,281 representing a 65.1% increase over the same period in the prior year as a result of the increase in returns, FPU, and 3PL PUDO services.

Gross profit for the three month period ended August 31, 2021 was \$140,582 (August 31, 2020 - \$99,889) representing an increase of \$40,693 or 40.7% over the same period last year. Gross profit for the six month period ended August 31, 2021 was \$296,940 (August 31, 2020 - \$204,365) representing an increase of \$92,575 or 45.3% over the same period in the prior year. These increases are a result of increased use of PUDOpoint Counters by courier partners and for 3PL parcel shipment processing and the fixed costs associated with the shipping fees, which generates a lower gross profit margin than PUDO's FFA, FPU, and border member parcels.

During the three month period ended August 31, 2021, the Company reported a net loss of \$331,486 (\$0.01 basic and diluted loss per share), a decrease of \$4,782 compared with a net loss of \$336,268 (\$0.01 basic and diluted loss per share) in the corresponding quarter in the prior fiscal year. Most of this decreased loss was attributable to an increase in revenues and gross profit, offset by an increase in administrative expenses.

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The net loss for the six months ended August 31, 2021 was \$720,985 (\$0.03 basic and diluted loss per share), an increase of \$55,538 from a net loss of \$665,447 (\$0.02 basic and diluted loss per share) in the corresponding quarter in the prior fiscal year, primarily due to an increase in salaries and benefits costs and administrative expenses overall and non-cash share-based compensation, offset by increased revenues and gross profit relative to the corresponding period of the prior fiscal year.

Administrative expenses for the three and six month periods ended August 31, 2021 were \$408,734 and \$876,850 (August 31, 2020 - \$355,214 and \$743,252), respectively, representing an increase relative to the corresponding periods in the prior fiscal year. These cost increases relate primarily to the impact of the increased customer support salaries and benefits costs overall during the three and six month periods as compared to the prior year.

Non-cash share-based compensation for the three and six month periods ended August 31, 2021 was recorded as \$63,334 and \$140,742 (August 31, 2020 - \$78,223 and \$117,574), respectively, representing an overall increase relative to the corresponding periods in the prior fiscal year.

Financial Condition

As at May 31, 2021, the Company had total assets of \$837,578 (February 28, 2021 - \$1,393,448). This decrease was primarily attributed to the related costs associated with operations.

As at August 31, 2021, the Company had a working capital surplus of \$211,654 (February 28, 2021 - \$749,867), had not yet achieved profitable operations, had used cash in operating activities of \$325,210 for the six month period ended August 31, 2021 (August 31, 2020 - \$586,242), had a deficit of \$10,982,422 as at August 31, 2021 (February 28, 2021 - \$10,349,436) and had shareholders' equity of \$335,508 (February 28, 2021 - \$915,751). These conditions reflect material uncertainties which cast significant doubt about the Company's ability to continue as a going concern. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. While the Company has been successful in raising the necessary funding to continue operations in the past, there is no assurance that it will be able to do so in the future.

Cash Flows

During the six months ended August 31, 2021, cash decreased by \$344,254 to \$405,454 (February 28, 2021 - \$749,708) due to \$325,210 cash used in operating activities, \$3,333 cash used in investing activities, \$13,045 cash used in financing activities, and due to the effects of translation of foreign currency further decreasing cash by \$2,672 (February 28, 2021 - \$6,295).

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Liquidity and Capital Resources

As noted in the Annual MD&A and previous Quarterly Highlights, the Company generates limited cash from operations. The Company's primary source of cash to date has been through convertible debentures, promissory notes and equity financings. The Company's outstanding loans and borrowings as at August 31, 2021 are fully repaid.

	August 31, 2021	February 28, 2021
Loan payable (Atlantic Canada Opportunities Agency)		
nil instalments repayable at \$4,458 per month	\$ -	\$ 13,374
Less: Discount future contractual cash flows	-	329
	-	13,045
Less: Current portion	-	13,045
	\$ -	\$ -

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 reflects material uncertainty which may cast significant doubt on the ability of the Company to continue to operate as a going concern.

The unaudited condensed interim consolidated financial statements for the three month and six month periods ended August 31, 2021 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, 2021 contain an emphasis of matter paragraph in its audit opinion related to its ability to continue as a going concern. Management believes that actions currently being taken, which primarily involve increasing revenues, controlling expenses, and raising additional capital will allow the Company to achieve profitability and allow the Company to continue as a going concern.

Related Party Transactions

During the three and six month periods ended August 31, 2021 and 2020, the Company incurred accounting fees and office rental, which is included in accounting and office expense, of \$10,350 and \$20,700 (August 31, 2020 - \$29,850 and 59,700), respectively to a company with a common officer and director.

During the three and six month periods ended August 31, 2021 and 2020, the Company had the following transactions with shareholders, management and directors:

	Three Months Ended		Six Months Ended	
	August 31,		August 31,	
	2021	2020	2021	2020
Share-based compensation	\$ 63,334	\$ 78,223	\$ 140,742	\$ 117,574
Salaries and benefits	47,693	49,806	95,425	83,484
Consulting fees	9,675	11,676	19,746	23,842
	\$ 120,702	\$ 139,705	\$ 255,913	\$ 224,900

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As at August 31, 2021, balances payable to the related parties noted above amounted to \$35,054 (February 28, 2021 - \$32,644) and are included in trade and other payables. These balances are unsecured, non-interest bearing and are due on demand.

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

Subsequent events

The Company evaluated subsequent events through September 28, 2021, the date these Interim Management's Discussion & Analysis - Quarterly Highlights were approved and authorized for issue. There were no material subsequent events that required recognition or additional disclosure in the Interim Management's Discussion & Analysis - Quarterly Highlights.

Risk Factors

The Annual Management's Discussion & Analysis for the year ended February 28, 2021, dated May 26, 2021 and filed on SEDAR (www.sedar.com), sets out a brief summary of certain risk factors for which adverse occurrences may have a material impact on the Company's future financial performance. We draw our readers' attention to that disclosure of risk factors. No significant changes to those risk factors have occurred in the 2022 fiscal year and to the date of this report, other than the impact of the COVID-19 pandemic on the general North American economy, and more specifically on PUDO's operations. This continues to be monitored by PUDO's management team as their customers, partners and members recover from the impact of the COVID-19 outbreak.