

PARCELPAL TECHNOLOGY INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

**For the three months ended March 31, 2017
(Unaudited – Prepared by Management)**

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

ParcelPal Technology Inc.

Condensed Consolidated Interim Statements of Financial Position

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

AS AT

	March 31, 2017	December 31, 2016
ASSETS		
Current		
Cash	\$ 133,849	\$ 149,816
GST receivable	19,628	18,788
Prepaid expenses	-	1,406
	<u>153,477</u>	<u>170,010</u>
Intangible Asset (Note 3)	<u>82,700</u>	<u>91,700</u>
	<u>\$ 236,177</u>	<u>\$ 261,710</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note 4)	\$ 68,198	\$ 75,822
Shareholders' Equity		
Share capital (Note 5)	2,428,479	2,191,330
Subscription received in advance (Note 9)	5,000	-
Contributed surplus (Note 5)	368,137	335,812
Deficit	<u>(2,633,637)</u>	<u>(2,341,254)</u>
	<u>167,979</u>	<u>185,888</u>
	<u>\$ 236,177</u>	<u>\$ 261,710</u>

Nature of operations and going concern (Note 1)**Subsequent events** (Note 9)**Approved on behalf of the Board of Directors on May 29, 2017:**

"Jason Moreau"
_____, Director

"Ben Catalano"
_____, Director

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

ParcelPal Technology Inc.

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

For the three months ended March 31,

	2017	2016
SALES	\$ 4,577	\$ -
COST OF SALES	(321)	-
GROSS PROFIT	4,256	-
EXPENSES		
Amortization (Note 3)	9,000	-
Consulting fees	71,543	77,738
Foreign exchange loss	41	-
Gain on debt settlement	(972)	-
Office and miscellaneous	38,691	18,955
Investor relations	6,519	-
Management fees (Note 6)	35,000	30,000
Marketing and promotion	77,823	-
Professional fees	7,263	17,294
Regulatory and filing fees	4,711	5,463
Share-based compensation (Notes 5)	46,496	11,488
Travel and accommodation	524	9,778
	(296,639)	(170,716)
Loss and comprehensive loss	\$ (292,383)	\$ (170,716)
Basic and diluted loss per common share	\$ (0.01)	\$ (0.01)
Weighted average number of common shares – basic and diluted	29,050,797	25,401,511

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

ParcelPal Technology Inc.

Condensed Consolidated Interim Statement of Changes in Shareholders' Equity

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

	Number of Common Shares	Capital Stock	Subscription Receivable	Subscription Received in Advance	Contributed Surplus	Deficit	Total
December 31, 2015	23,684,850	\$ 1,596,553	\$ -	\$ -	\$ 61,642	\$ (1,394,820)	\$ 263,375
Private placement, at \$0.1125 (Note 5)	1,716,661	193,124	-	-	-	-	193,124
Share-based compensation (Note 5)	-	-	-	-	11,488	-	11,488
Share issuance costs (Note 5)	-	(16,230)	-	-	7,321	-	(8,909)
Loss for the period	-	-	-	-	-	(170,716)	(170,716)
March 31, 2016	25,401,511	1,773,447	-	-	80,451	(1,565,536)	288,362
Private placement, at \$0.21 (Note 5)	1,119,047	235,000	-	-	-	-	235,000
Share-based compensation (Note 5)	-	-	-	-	254,513	-	254,513
Share issuance costs (Note 5)	-	(41,480)	-	-	3,411	-	(38,069)
Exercise of warrants (Note 5)	2,268,000	229,363	(5,000)	-	(2,563)	-	221,800
Loss for the period	-	-	-	-	-	(775,718)	(775,718)
December 31, 2016	28,788,558	2,196,330	(5,000)	-	335,812	(2,341,254)	185,888
Private placement, at \$0.18 (Note 5)	840,500	151,290	(11,300)	-	-	-	139,990
Subscription received in advance	-	-	-	5,000	-	-	5,000
Share-based compensation (Note 5)	-	-	-	-	46,496	-	46,496
Shares issued for debt settlement (Note 5)	97,222	16,528	-	-	-	-	16,528
Share issuance costs (Note 5)	-	(13,028)	-	-	4,388	-	(8,640)
Exercise of options (Note 5)	500,000	43,559	-	-	(18,559)	-	25,000
Exercise of warrants (Note 5)	225,500	45,100	5,000	-	-	-	50,100
Loss for the period	-	-	-	-	-	(292,383)	(292,383)
March 31, 2017	30,451,780	\$ 2,439,779	\$ (11,300)	\$ 5,000	\$ 368,137	\$ (2,633,637)	\$ 167,979

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

ParcelPal Technology Inc.

Condensed Consolidated Interim Statements of Cash Flows

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

For the three months ended March 31,

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	\$ (292,383)	\$ (170,716)
Non-cash items:		
Amortization	9,000	-
Share-based compensation	46,496	11,488
Changes in non-cash working capital items:		
Goods and services tax	(840)	(1,097)
Prepaid expenses	1,406	649
Accounts payable and accrued liabilities	8,904	16,605
Net cash flows used in operating activities	<u>(227,417)</u>	<u>(143,071)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from private placements	139,990	184,215
Subscriptions received in advance	5,000	-
Share issuance costs	(8,640)	-
Exercise of options	25,000	-
Exercise of warrants	50,100	-
Net cash flows provided by financing activities	<u>211,450</u>	<u>184,215</u>
Change in cash for the period	(15,967)	41,144
Cash, beginning of the period	<u>149,816</u>	<u>201,490</u>
Cash, end of period	<u>\$ 133,849</u>	<u>\$ 242,634</u>

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

ParcelPal Technology Inc.

Notes to the Condensed Consolidated Interim Financial Statements

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

For the three months ended March 31, 2017

1. NATURE OF OPERATIONS AND GOING CONCERN

ParcelPal Technology Inc. (“the Company”) was incorporated in Alberta on March 10, 1997. On June 22, 2006, the Company moved its incorporation jurisdiction to British Columbia. The Company’s shares are listed on the Canadian Securities Exchange (“CSE”) under the symbol “PKG” and on the Frankfurt Stock Exchange under the symbol “PTO”.

The Company is currently engaged in the development of an on-demand local delivery service application (“ParcelPal”). During the year ended December 31, 2016, the Company successfully launched the ParcelPal application for Beta testing and has entered into revenue generation in Vancouver, British Columbia.

The Company has incurred losses and negative cash flows from operations since inception that has primarily been funded through financing activities. 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. These factors indicate the existence of a material uncertainty that may cast significant doubt as to the Company’s ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with cash on hand and through the private placement of common shares and exercise of warrants. During the period ended March 31, 2017, the Company completed financings as outlined in Note 5.

These condensed consolidated interim financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities in the normal course of business. These condensed consolidated interim financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported revenues and expenses, and the statement of financial position classifications used, that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

2. SIGNIFICANT ACCOUNTING POLICIES**Basis of preparation***Statement of compliance*

These condensed consolidated interim financial statements, including comparatives have been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and in accordance with International Accounting Standards (“IAS”) 34, Interim Financial Reporting. The principal accounting policies set out below are based on IFRS issued and effective as at May 29, 2017, the date the Board of Directors approved the condensed consolidated interim financial statements.

Basis of measurement

These condensed consolidated interim financial statements have been prepared on a historical cost basis, modified where applicable. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting except for cash flow information. The financial statements are presented in Canadian dollars, unless otherwise noted.

Significant Estimates and Assumptions

The preparation of condensed consolidated interim financial statements in accordance with IFRS requires the Company to use judgment in applying its accounting policies and make estimates and assumptions about reported amounts at the date of the financial statements and in the future. The Company’s management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

ParcelPal Technology Inc.

Notes to the Condensed Consolidated Interim Financial Statements

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For the three months ended March 31, 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**Significant Estimates and Assumptions** (continued)

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the fair value measurements for financial instruments, the recoverability and measurement of deferred tax assets, and estimating the fair value for share-based payment transactions.

Significant Judgements

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the statements are, but not limited to, the following:

- Determining whether or not the acquisition of ParcelPal constituted a business combination or an acquisition of assets. The benefit to the Company of acquiring ParcelPal was the acquisition of its intellectual property. Management concluded that because ParcelPal did not possess the necessary inputs and processes capable of producing outputs it did not meet the definition of a business as defined by IFRS. Accordingly, the transaction was accounted for as an acquisition of assets and the fair value of the consideration paid was allocated to the assets acquired.

Other significant judgments in applying the Company's accounting policies relate to the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty and the classification of financial instruments.

Foreign currency translation

The functional currency of the Company is determined using the currency of the primary economic environment in which the Company operates. The functional and presentation currency, as determined by management, of the Company is the Canadian dollar.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in the statement of comprehensive loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

ParcelPal Technology Inc.

Notes to the Condensed Consolidated Interim Financial Statements

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For the three months ended March 31, 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**Loss per share**

Basic loss per share is calculated by dividing the statement of loss and comprehensive loss by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the statement of loss and comprehensive loss and the weighted average number of common shares outstanding for the effects of dilutive instruments such as options granted to employees and warrants outstanding. The weighted average number of diluted shares is calculated in accordance with the treasury stock method. The treasury stock method assumes that the proceeds received from the exercise of all potentially dilutive instruments are used to repurchase common shares at the average market price during the period.

Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in the statement of loss and comprehensive loss, except to the extent that it relates to items recognized in other comprehensive loss or directly in equity. In this case the income tax is also recognized in other comprehensive loss or directly in equity, respectively.

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is recognized on temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that future taxable income will be available to allow all or part of the temporary differences to be utilized. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted and are expected to apply by the end of the reporting period. Deferred tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Intangibles

Intangible assets consist of application software acquired externally through the asset acquisition of ParcelPal (Note 3). Intangible assets acquired through asset acquisition or business combinations are initially recognized at fair value based on an allocation of the purchase price. Subsequent to initial recognition, the Company reports internally-generated intangible assets at cost less accumulated amortization and accumulated impairment losses. Intangible assets are measured at cost less accumulated amortization and accumulated impairment losses, if any.

ParcelPal Technology Inc.

Notes to the Condensed Consolidated Interim Financial Statements

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(Expressed in Canadian Dollars)

For the three months ended March 31, 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**Intangibles (continued)**

Intangible assets in use are amortized on a straight-line basis over their estimated useful life of 3 years. The amortization method, estimated useful life and residual values are reviewed each financial year end or more frequently if required, and are adjusted as appropriate. Intangible assets under development and not ready for use are not amortized.

Research and development

Research costs are expensed when incurred. Internally-generated software costs, including personnel costs of the Company's development group, are capitalized as intangible assets when the Company can demonstrate that the technical feasibility of the project has been established; the Company intends to complete the asset for use or sale and has the ability to do so; the asset can generate probable future economic benefits; the technical and financial resources are available to complete the development; and the Company can reliably measure the expenditure attributable to the intangible asset during its development. After initial recognition, internally-generated intangible assets are recorded at cost less accumulated amortization and accumulated impairment losses. The Company did not have any development costs that met the capitalization criteria for the period ended March 31, 2017.

Revenue Recognition

ParcelPal's services are provided based upon online orders with customers that include fixed or determinable prices and are based upon on-demand, same day and scheduled rates. Revenue is recognized when services are rendered, goods are delivered or work is completed.

Revenue from delivered goods and services is recognized when:

- the company has transferred to a buyer the significant risks and rewards of ownership of the goods and services;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control of the goods and services sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company; and
- the costs to be incurred in respect of the transaction can be measured reliably.

Share-based payments

The Company operates a stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using the Black-Scholes option pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Any consideration paid by plan participants on the exercise of stock options is credited to share capital.

ParcelPal Technology Inc.

Notes to the Condensed Consolidated Interim Financial Statements

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

For the three months ended March 31, 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**Impairment of assets**

The Company performed impairment tests on its long-lived assets, including intangible assets, when new events or circumstances occur, or when new information becomes available relating to their recoverability. When the recoverable amount of each separately identifiable asset or cash generating unit (“CGU”) is less than its carrying value, the asset or CGU’s assets are written down to their recoverable amount with the impairment loss charged against profit or loss. A reversal of the impairment loss in a subsequent period will be charged against profit or loss if there is a significant reversal of the circumstances that caused the original impairment. The impairment will be reversed up to the amount of depreciated carrying value that would have otherwise occurred if the impairment loss had not occurred.

The CGU’s recoverable amount is evaluated using fair value less costs to sell calculations. In calculating the recoverable amount, the Company utilizes discounted cash flow techniques to determine fair value when it is not possible to determine fair value from active markets or a written offer to purchase. Management calculates the discounted cash flows based upon its best estimate of a number of economic, operating, engineering, environmental, political and social assumptions. Any changes in the assumptions due to changing circumstances may affect the calculation of the recoverable amount.

Financial Instruments

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company’s intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets to the extent they are expected to be realized within 12 months after the end of the reporting period. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary financial assets.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost.

ParcelPal Technology Inc.

Notes to the Condensed Consolidated Interim Financial Statements

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

For the three months ended March 31, 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the group commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

Accounting Standards and Interpretations Issued but Not Yet Adopted

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its financial statements.

New standard IFRS 9 “Financial Instruments”

This new standard is a partial replacement of IAS 39 “Financial Instruments: Recognition and Measurement”. IFRS 9 introduces new requirements for the classification and measurement of financial assets, additional changes relating to financial liabilities, a new general hedge accounting standard which will align hedge accounting more closely with risk management. 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 periods beginning on or after January 1, 2018 with early adoption permitted. Accounting standards or amendments to existing standards that have been issued but have future effective dates are either not applicable or not expected to have a significant impact on the Company’s financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company’s financial statements.

ParcelPal Technology Inc.

Notes to the Condensed Consolidated Interim Financial Statements

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

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3. INTANGIBLE ASSET

During the year ended December 31, 2015, the Company acquired \$100,000 of application software through an acquisition and paid \$10,000. During the year ended December 31, 2016, the Company determined the application software to be in use and began amortizing the intangible asset.

	Application Software
Cost	
As at December 31, 2015 and 2016	\$ 110,000
Additions	-
As at March 31, 2017	\$ 110,000
Accumulated amortization	
As at December 31, 2015	\$ -
Amortization	18,300
As at December 31, 2016	18,300
Amortization	9,000
As at March 31, 2017	\$ 27,300
Net book value	
As at December 31, 2016	\$ 91,700
As at March 31, 2017	\$ 82,700

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2017	December 31, 2016
Accounts payable	\$ 45,033	\$ 59,420
Accrued liabilities	23,165	16,402
	\$ 68,198	\$ 75,822

5. SHARE CAPITAL**Common Shares**

The authorized capital of the Company consists of an unlimited number of common shares without par value.

During the period ended March 31, 2017,

- a) On March 31, 2017, the Company has issued 97,222 units pursuant to a debt settlement agreement entered into with their former CEO. Each unit consists of one common share and one-half of one share purchase warrant, which entitles the holder to purchase one additional common share of the Company at price of \$0.30 per share for a period of 18 months from the date of issuance. The issuance of the shares satisfies in full the obligations of the Company under the terms of the debt settlement agreement.

ParcelPal Technology Inc.

Notes to the Condensed Consolidated Interim Financial Statements

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

For the three months ended March 31, 2017

5. SHARE CAPITAL (continued)**Common Shares (continued)**

- b) On March 31, 2017, the Company closed a non-brokered private placement financing consisting of 840,500 units at a price of \$0.18 per unit for gross proceeds of \$151,290 of which \$11,300 was receivable as at March 31, 2017. Each unit consists of one common share and one share purchase warrant, which entitles the holder to purchase one additional common share of the Company at a price of \$0.30 per share for a period of 18 months. In connection with the private placement, the Company paid a finders' fee of \$8,640 and issued 60,000 finder's share purchase warrants exercisable at a price of \$0.30 per share for a period of 18 months.
- c) The Company issued 500,000 common shares upon exercise of options for proceeds of \$25,000.
- d) The Company issued 225,500 common shares upon exercise of warrants for proceeds of \$45,100.

During the year ended December 31, 2016,

- a) On February 29, 2016, the Company closed a non-brokered private placement financing consisting of 1,716,661 units at a price of \$0.1125 per unit for gross proceeds of \$193,124. Each unit consists of one common share and one share purchase warrant, which entitles the holder to purchase one additional common share of the Company at a price of \$0.20 per share for a period of 18 months. The value of the warrants was determined to be \$nil using the residual method. In connection with the private placement, the Company paid a finders' fee of \$8,909 and issued 99,000 finder's share purchase warrants exercisable at a price of \$0.20, with a fair value of \$5,254.
- b) On July 15, 2016, the Company closed a non-brokered private placement financing consisting of 1,119,047 units at a price of \$0.21 per unit for gross proceeds of \$235,000. Each unit consists of one common share and one-half of one share purchase warrant, which entitles the holder to purchase one additional common share of the Company at a price of \$0.30 per share for a period of 18 months. The value of the warrants was determined to be \$nil using the residual method. In connection with the private placement, the Company paid a finders' fees of \$12,600 and issues 75,000 finders' share purchase warrants exercisable at a price of \$0.20 per share, with a fair value of \$5,478.
- c) The Company issued 2,268,000 common shares upon exercise of warrants for proceeds of \$226,800 of which \$5,000 was receivable as at December 31, 2016.
- d) The Company incurred shares issuance costs of \$25,468 in legal expenses.

Stock Options

The Company has adopted an incentive stock option plan, which enables the Board of Directors of the Company from time to time, in its discretion, and in accordance with the CSE requirements, grant to directors, officers, employees and consultants to the Company, non-transferable stock options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 6,090,356 shares, representing 20% of the Company's issued and outstanding common shares. Each stock option permits the holder to purchase one share at the stated exercise price. The options vest at the discretion of the Board of Directors.

ParcelPal Technology Inc.

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(Expressed in Canadian Dollars)

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5. SHARE CAPITAL (continued)**Stock Options (continued)**

The following is a summary of the Company's stock option activity:

	Number of Options	Weighted Average Exercise Price
Options outstanding at December 31, 2015	1,205,000	\$ 0.06
Granted	2,380,000	0.16
Cancelled	(200,000)	0.15
Options outstanding at December 31, 2016	3,385,000	0.12
Granted	300,000	0.22
Exercised	(500,000)	0.05
Options outstanding and exercisable at March 31, 2017	3,185,000	\$ 0.14

As at year ended March 31, 2017, the following options were outstanding and exercisable:

Expiry Date	Number Outstanding	Exercise Price
November 6, 2018	450,000	\$ 0.05
December 18, 2018	255,000	\$ 0.10
February 5, 2019	125,000	\$ 0.15
April 21, 2019	25,000	\$ 0.26
July 5, 2019	200,000	\$ 0.23
November 18, 2019	1,150,000	\$ 0.12
December 8, 2019	400,000	\$ 0.19
December 12, 2019	280,000	\$ 0.20
January 5, 2020	150,000	\$ 0.20
January 9, 2020	50,000	\$ 0.20
February 17, 2020	100,000	\$ 0.26
	3,185,000	

Estimated fair value of stock options

During the period ended March 31, 2017, the Company granted 300,000 options (December 31, 2016 – 2,380,000) to acquire common shares. Share-based payments relating to options vesting during the year using the Black-Scholes option pricing model was \$46,496 (December 31, 2016 - \$266,001).

ParcelPal Technology Inc.

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(Expressed in Canadian Dollars)

For the three months ended March 31, 2017

5. SHARE CAPITAL (continued)
Estimated fair value of stock options (continued)

Details of the fair value of options granted and the assumptions used in the Black-Scholes option pricing model are as follows:

	March 31, 2017	December 31, 2016
Weighted average fair value of options granted	\$ 0.16	\$ 0.12
Risk-free interest rate	0.72%	0.64%
Estimated life	3 years	3 years
Expected volatility	125.00%	125.00%
Expected dividend yield	0.00%	0.00%

Warrants

The following is a summary of the Company's warrant activity:

	Number of Warrants	Weighted Average Exercise Price
Outstanding at December 31, 2015	2,598,000	\$ 0.10
Issued	2,450,184	0.23
Exercised	(2,268,000)	0.10
Expired	(330,000)	0.10
Outstanding at December 31, 2016	2,450,184	0.23
Issued	528,861	0.30
Exercised	(225,500)	0.20
Outstanding at March 31, 2017	2,753,545	\$ 0.24

As of March 31, 2017, the following share purchase warrants were outstanding and exercisable:

Expiry Date	Number Outstanding	Exercise Price
August 29, 2017	1,590,161	\$ 0.20
January 15, 2018	634,523	\$ 0.30
September 30, 2018	528,861	\$ 0.30
	2,753,545	

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5. SHARE CAPITAL (continued)**Warrants (continued)**

The fair value of the warrants granted as a finders' fee was estimated on the date of the issue date using the Black-Scholes option pricing model with the following weighted average assumptions:

	Period ended March 31, 2017	Year ended December 31, 2016
Expected dividend yield	Nil	Nil
Stock price volatility	125.00%	125.00%
Risk-free interest rate	0.75%	0.54%
Expected life of options	1.50 years	1.50 years

6. RELATED PARTY DISCLOSURES

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of members of the Company's Board of Directors and corporate officers. The remuneration of directors and key management personnel is as follows:

	March 31, 2017	March 31, 2016
Management fees	\$ 20,000	\$ 15,000

As at March 31, 2017, \$3,096 (December 31, 2016 - \$1,250) owing to the former CEO of the Company is included in accounts payable in relation to transactions with related parties, which are non-interest bearing, unsecured and due on demand:

Equity:*Period ended March 31, 2017:*

On March 31, 2017, the Company has issued 97,222 units pursuant to debt settlement agreement entered into with their former CEO on March 30, 2017. Each unit consists of one common share and one-half of one share purchase warrant, which entitles the holder to purchase one additional common share of the Company at price of \$0.30 per share for a period of 18 months from the date of issuance (Note 5).

On March 31, 2017, the Company issued 55,500 units of the Company to their former CEO for gross proceeds of \$9,990. Each unit consists of one common share and one share purchase warrant, which entitles the holder to purchase one additional common share of the Company at a price of \$0.30 per share for a period of 18 months (Note 5).

Year ended December 31, 2016:

On February 29, 2016, the Company issued 90,000 units of the Company to an officer and a director of the Company for gross proceeds of \$10,125. Each unit consists of one common share and one share purchase warrant, which entitles the holder to purchase one additional common share of the Company at a price of \$0.20 per share for a period of 18 months (Note 5).

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6. RELATED PARTY DISCLOSURES (continued)**Equity:** (continued)

On July 15, 2016, the Company issued 150,000 units of the Company to an officer and a director of the Company for gross proceeds of \$31,500. Each unit consists of one common share and one-half of one share purchase warrant, which entitles the holder to purchase one additional common share of the Company at a price of \$0.30 per share for a period of 18 months (Note 5).

7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**Classification of financial instruments**

Financial assets included in the statement of financial position are as follows:

	March 31, 2017	December 31, 2016
Loans and receivables:		
Cash	\$ 133,849	\$ 149,816
Deposits	-	1,406
	\$ 133,849	\$ 151,222

Financial liabilities included in the statement of financial position are as follows:

	March 31, 2017	December 31, 2016
Non-derivative financial liabilities:		
Accounts payable	\$ 45,033	\$ 59,420
	\$ 45,033	\$ 59,420

Fair value

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The carrying value of Company's financial assets and liabilities as at March 31, 2017 and December 31, 2016 approximate their fair value due to their short terms to maturity.

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures.

The Company is exposed to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

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7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)***Credit risk***

Credit risk is risk of financial loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's cash is held in large Canadian financial institutions and is not exposed to significant credit risk. Trade payables are generally insignificant.

Interest risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to limited interest rate risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company's ability to continue as a going concern is dependent on management's ability to raise the required capital through future equity or debt issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the directors are actively involved in the review, planning, and approval of significant expenditures and commitments.

Foreign exchange risk

The Company's functional currency is the Canadian Dollar and major transactions are transacted in Canadian Dollars and US Dollars. The Company maintains a US Dollar bank account in Canada to support the cash needs of its operations. Management believes that the foreign exchange risk related to currency conversion is minimal and therefore does not hedge its foreign exchange risk.

Capital Management

The Company defines capital that it manages as its shareholders' equity. When managing capital, the Company's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the development of a social collaborative charting, news and communication platform for traders. 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 development of the business.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes to the Company's approach to capital management during the period ended March 31, 2017.

8. SUBSEQUENT EVENTS

- i) On May 9, 2017 the Company issued 100,000 common shares of the Company upon exercise of options for proceeds of \$5,000 which was received during the period ended March 31, 2017.
- ii) On May 9, 2017, the Company granted 100,000 stock options to a director of the Company, exercisable at \$0.135 per option for 3 years from the date of grant.