

PARCELPAL TECHNOLOGY INC.

CONDENSED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

**For the three months ended March 31, 2018
(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 Interim Statements of Financial Position

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

AS AT

	March 31, 2018	December 31, 2017
ASSETS		
Current		
Cash	\$ 1,608,263	\$ 54,887
Accounts receivable (Note 3)	543,487	359,510
Prepaid expenses	39,906	62,704
Loan receivable (Note 4)	65,000	-
	<u>2,256,656</u>	<u>477,101</u>
Equipment (Note 5)	978,595	564,695
Intangible Asset (Note 6)	46,200	55,200
	<u>\$ 3,281,451</u>	<u>\$ 1,096,996</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note 7)	\$ 265,828	\$ 220,239
Sales tax payable	37,817	12,747
Lease obligations (Note 10)	229,976	123,599
	<u>533,621</u>	<u>356,585</u>
Lease obligations (Note 10)	621,593	338,520
	<u>1,155,214</u>	<u>695,105</u>
Shareholders' Equity		
Share capital (Note 8)	5,168,958	3,315,693
Subscription received in advance (Note 8)	-	37,688
Subscription receivable (Note 8)	(94,900)	-
Contributed surplus (Note 8)	1,744,745	830,239
Deficit	(4,692,566)	(3,781,729)
	<u>2,126,237</u>	<u>401,891</u>
	<u>\$ 3,281,451</u>	<u>\$ 1,096,996</u>

Nature of operations and going concern (Note 1)**Subsequent events** (Note 13)**Approved on behalf of the Board of Directors on May 30, 2018:**”Devon Brown” , Director”Peter Hinam” , Director

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

ParcelPal Technology Inc.

Condensed Interim Statements of Loss and Comprehensive Loss

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

	Three months ended	
	March 31,	
	2018	2017
SALES (Note 12)	\$ 612,641	\$ 4,577
COST OF SALES	(419,285)	(321)
GROSS PROFIT	193,356	4,256
EXPENSES		
Amortization (Note 5 and 6)	32,982	9,000
Consulting fees (Note 9)	149,641	71,543
Foreign exchange loss	258	41
Loss on debt settlement	-	(972)
Interest expenses	16,956	-
Investor relations	-	6,519
Management and director fees (Note 9)	27,000	35,000
Marketing and promotion	-	77,823
Office and miscellaneous	92,529	38,691
Professional fees	15,766	7,263
Regulatory and filing fees	6,764	4,711
Share-based compensation (Note 8 and 9)	737,804	46,496
Travel and accommodation	24,493	524
	(1,104,193)	(296,639)
Loss and comprehensive loss	\$ (910,837)	\$ (292,383)
Basic and diluted loss per common share	\$ (0.02)	\$ (0.01)
Weighted average number of common shares – basic and diluted	60,171,099	29,050,797

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

ParcelPal Technology Inc.

Condensed 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, 2016	28,788,558	\$ 2,196,330	\$ (5,000)	\$ -	\$ 335,812	\$ (2,341,254)	\$ 185,888
Private placement, at \$0.18 (Note 8)	840,500	151,290	(11,300)	-	-	-	139,990
Subscription received in advance	-	-	-	5,000	-	-	5,000
Share-based compensation (Note 8)	-	-	-	-	46,496	-	46,496
Share issued for debt settlement (Note 8)	97,222	16,528	-	-	-	-	16,528
Share issuance costs (Note 8)	-	(13,028)	-	-	4,388	-	(8,640)
Exercise of options (Note 8)	500,000	43,559	-	-	(18,559)	-	25,000
Exercise of warrants (Note 8)	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
Private placement, at \$0.0135 (Note 8)	13,528,500	676,425	-	-	-	-	676,425
Shares issued for debt settlement (Note 8)	4,100,000	266,500	-	-	-	-	266,500
Share issuance costs (Note 8)	-	(75,723)	-	-	40,014	-	(35,709)
Exercise of options (Note 8)	100,000	8,712	-	-	(3,712)	-	5,000
Subscription received	-	-	11,300	-	-	-	11,300
Share-based compensation (Note 8)	-	-	-	-	425,800	-	425,800
Subscription received in advance (Note 8)	-	-	-	23,688	-	-	23,688
Shares issuable for director fees	-	-	-	9,000	-	-	9,000
Loss for the period	-	-	-	-	-	(1,148,092)	(1,148,092)
December 31, 2017	48,180,280	3,315,693	-	37,688	830,239	(3,781,729)	401,891
Private placement, at \$0.135 (Note 8)	12,574,924	1,697,615	(39,900)	-	-	-	1,657,715
Private placement, at \$0.068 (Note 8)	425,000	28,688	-	(28,688)	-	-	-
Share issuance costs - cash (Note 8)	-	(125,078)	-	-	-	-	(125,078)
Share issuance costs - warrants (Note 8)	-	(329,286)	-	-	329,286	-	-
Exercise of options (Note 8)	1,530,000	342,289	(55,000)	-	(146,039)	-	141,250
Exercise of warrants (Note 8)	949,723	239,037	-	-	(6,545)	-	232,492
Share-based compensation (Note 8)	-	-	-	-	737,804	-	737,804
Shares issuable for director fees	-	-	-	(9,000)	-	-	(9,000)
Loss for the period	-	-	-	-	-	(910,837)	(910,837)
March 31, 2018	63,659,927	\$ 5,168,958	\$ (94,900)	\$ -	\$ 1,744,745	\$ (4,692,566)	\$ 2,126,237

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

ParcelPal Technology Inc.

Condensed Interim Statements of Cash Flows

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

For the three months ended March 31,

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	\$ (910,837)	\$ (292,383)
Non-cash items:		
Amortization	32,982	9,000
Accrued interest – lease obligations	16,956	-
Share-based compensation	737,804	46,496
Changes in non-cash working capital items:		
Accounts receivable	(183,977)	-
Goods and services tax	25,070	(840)
Prepaid expenses	22,798	1,406
Accounts payable and accrued liabilities	36,589	8,904
Net cash flows used in operating activities	<u>(222,615)</u>	<u>(227,417)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Deposit paid on leased equipment	<u>(13,697)</u>	<u>-</u>
Net cash flows used in investing activities	<u>(13,697)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from private placements	1,657,715	139,990
Share issuance costs	(125,078)	(8,640)
Exercise of options	141,250	25,000
Exercise of warrants	232,492	50,100
Payment of lease obligations	(51,691)	-
Advances from loans receivable	(65,000)	-
Subscription received in advance	-	5,000
Net cash flows provided by financing activities	<u>1,789,688</u>	<u>211,450</u>
Change in cash for the period	1,553,376	(15,967)
Cash, beginning of the period	<u>54,887</u>	<u>149,816</u>
Cash, end of period	<u>\$ 1,608,263</u>	<u>\$ 133,849</u>

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

ParcelPal Technology Inc.

Notes to the Condensed Interim Financial Statements

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

For the three months ended March 31, 2018

1. NATURE OF OPERATIONS AND GOING CONCERN

ParcelPal Technology Inc. (“the Company”) is currently engaged in on-demand local delivery services and the continued development of its on-demand local delivery service application (“ParcelPal”). 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 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.

These condensed 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 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 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 30, 2018, the date the Board of Directors approved the condensed interim financial statements.

Basis of measurement

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

Significant estimates and assumptions

The preparation of condensed 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 Interim Financial Statements

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

For the three months ended March 31, 2018

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 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.

Changes in Accounting Policy – Revenue from contracts with customers

The Company adopted all of the requirements of IFRS 15 Revenue from Contracts with Customers ("IFRS 15") as of January 1, 2017 using the modified retrospective approach and therefore comparative information has not been restated. IFRS 15 utilizes a methodical framework for entities to follow in order to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services.

The following is the Company's new accounting policy for revenue under IFRS 15:

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

The change did not impact the cumulated revenue recognized or the related assets and liabilities on the transition date.

Changes in Accounting Policy – Leases

The Company adopted all of the requirements of IFRS 1 Leases ("IFRS 16") as of January 1, 2017 using the modified retrospective approach and therefore comparative information has not been restated. The main provision of IFRS 16 is the recognition of lease assets and lease liabilities on the balance sheet by lessees for those leases that were previously classified as operating leases.

The following is the Company's new accounting policy for leases under IFRS 16:

At the inception of a contract, the Company assesses whether a contract is or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle or remove the underlying asset.

ParcelPal Technology Inc.

Notes to the Condensed Interim Financial Statements

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

For the three months ended March 31, 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**Changes in Accounting Policy – Leases (continued)**

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an option renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized using the effective interest rate method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected to not recognize right-of-use assets and lease liabilities for short-term lease of assets that have a lease term of 12 months or less and leases of low-value assets, such as IT equipment. The Company recognizes the lease payments associated with the leases as an expense on a straight-line basis over the lease term.

The Company did not have any leases in place as at January 1, 2017 and therefore the change did not impact assets or liabilities as at the transition date.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation (continued)

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.

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 year.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Equipment

Leased equipment is recorded at cost and amortized over the estimated term of the lease or the expected life of the asset if the Company has included payments to acquire the asset at the end of the lease. Equipment that is withdrawn from use, or has no reasonable prospect of being recovered through use or sale, are regularly identified and written off. Subsequent expenditures relating to an item of equipment are capitalized when it is probable that future economic benefits from the use the assets will be increased. All other subsequent expenditures are recognized as repairs and maintenance.

Intangibles

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.

Intangible assets in use are amortized on a straight-line basis over their estimated useful life of 3 years. 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, 2018.

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 Interim Financial Statements

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

For the three months ended March 31, 2018

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 Interim Financial Statements

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

For the three months ended March 31, 2018

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.

New Accounting Standards Adapted During the Period*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.

IFRS 15 – Revenue from Contracts with Customers

In May 2014, IASB issued IFRS 15 to replace IAS 18 – Revenue, which establishes a new single five-step control-based revenue recognition model for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The amended standard was adopted on January 1, 2018 and did not have an impact on the financial statements.

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.

IFRS 16 – Leases

IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee. The IASB issued IFRS 16, Leases, in January 2016, which replaces the current guidance in IAS 17. Under IAS 17, lessees were required to make a distinction between a finance lease and an operating lease. IFRS 16 requires lessees to recognize a lease liability reflecting future lease payments and a “right-of-use asset” for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted, but only in conjunction with IFRS 15.

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 Interim Financial Statements

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

For the three months ended March 31, 2018

3. ACCOUNTS RECEIVABLE

	March 31, 2018	December 31, 2017
Sales receivable	\$ 543,487	\$ 359,510

4. LOANS RECEIVABLE

	March 31, 2018	December 31, 2017
	\$ 65,000	\$ -

During the period ended March 31, 2018, the Company advanced \$65,000 (December 31, 2017 - \$Nil) to an arm's length vendor. The advances are interest free and due on demand.

5. EQUIPMENT

Equipment consists of leased vehicles carried at cost less accumulated depreciation. Details are as follows:

	Vehicles
Cost	
As at December 31, 2016	\$ -
Additions	583,881
As at December 31, 2017	583,881
Additions	437,882
As at March 31, 2018	\$ 1,021,763
Accumulated amortization	
As at December 31, 2016	\$ -
Amortization	19,186
As at December 31, 2017	19,186
Amortization	23,982
As at March 31, 2018	\$ 43,168
Net book value	
As at December 31, 2017	\$ 564,695
As at March 31, 2018	\$ 978,595

Details of the corresponding lease obligation is disclosed in Note 10

6. INTANGIBLE ASSET

	Application Software
Cost	
As at March 31, 2018, December 31, 2017 and 2016	\$ 110,000
Accumulated amortization	
As at December 31, 2016	\$ 18,300
Amortization	36,500
As at December 31, 2017	54,800
Amortization	9,000
As at March 31, 2018	\$ 63,800
Net book value	
As at December 31, 2017	\$ 55,200
As at March 31, 2018	\$ 46,200

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2018	December 31, 2017
Accounts payable	\$ 103,457	\$ 145,442
Accrued liabilities	162,371	74,797
	\$ 265,828	\$ 220,239

8. 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, 2018:

- a) On January 12, 2018, the Company closed a non-brokered private placement financing consisting of 425,000 units at a price of \$0.0675 per unit for gross proceeds of \$28,688. Each unit consists of one common share and one-half of one share purchase warrant, with each whole warrant entitling the holder to purchase one additional common share of the Company exercisable at a price of \$0.075 per share for a period of 24 months from the date of issuance. During the year ended December 31, 2017, the Company received the subscription of \$28,688.
- b) On January 24, 2018, the Company closed a non-brokered private placement financing consisting of 12,574,924 units at a price of \$0.135 per unit for gross proceeds of \$1,697,615, of which \$39,000 was received subsequent to the period. Each unit consists of one common share and one share purchase warrant, with each whole warrant entitling the holder to purchase one additional common share of the Company exercisable at a price of \$0.20 per share for a period of 24 months from the date of issuance. The Company paid finders' fees of \$125,078 and issued 760,642 finder's share purchase warrants valued at \$329,286, exercisable at a price of \$0.20 per share for a period of 24 months from the date of grant.

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8. SHARE CAPITAL (continued)

- c) On January 24, 2018, the Company closed a non-brokered private placement financing consisting of 200,000 units at a price of \$0.135 per unit for gross proceeds of \$27,000. Each unit consists of one common share and one share purchase warrant, with each whole warrant entitling the holder to purchase one additional common share of the Company exercisable at a price of \$0.20 per share for a period of 24 months from the date of issuance.
- d) The Company issued 1,530,500 common shares upon exercise of options for proceeds of \$141,250, of which \$55,000 received subsequent to the period, and accordingly, the Company reallocated \$146,039 of contribution surplus to share capital.
- e) The Company issued 949,723 common shares upon exercise of warrants for proceeds of \$232,492, and accordingly, the Company reallocated \$6,545 of contribution surplus to share capital.

During the year ended December 31, 2017:

- a) On March 31, 2017, the Company issued 97,222 units with a fair value of \$16,528 pursuant to a debt settlement agreement entered into with their former CEO to settle debt of \$17,500 resulting in a gain of 972. Each unit consists of one common share and one-half 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.
- 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 45,000 units with a fair value of \$8,100 was for settlement of various debt. 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' fees of \$8,640 and issued 60,000 finder's share purchase warrants (valued at \$4,190) exercisable at a price of \$0.30 per share for a period of 18 months.
- c) The Company issued 600,000 common shares upon exercise of options for proceeds of \$30,000.
- d) The Company issued 225,500 common shares upon exercise of warrants for proceeds of \$45,100.
- e) On October 11, 2017, the Company has issued 4,100,000 shares valued at \$266,500 to its officer, directors and its consultants to settle corporate indebtedness of \$205,000 resulting in a loss of \$61,500.
- f) On October 26, 2017, the Company closed a non-brokered private placement financing consisting of 13,528,500 units at a price of \$0.05 per unit for gross proceeds of \$676,425. 2,000,000 of the shares with a fair value of \$100,000 were issued as payment for prepaid consulting fees. Each unit consists of one common share and one-half of one share purchase warrant, with each whole warrant entitling the holder to purchase one additional common share of the Company exercisable at a price of \$0.075 per share for a period of 24 months from the date of issuance. The Company paid finders' fees of \$35,709 cash and issued 820,480 finder's share purchase warrants valued at \$40,212 exercisable at a price of \$0.075 per share for a period of 24 months from the date of grant.

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8. SHARE CAPITAL (continued)**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.

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

	Number of Options	Weighted Average Exercise Price
Options outstanding at December 31, 2016	3,385,000	\$ 0.12
Granted	3,900,000	0.14
Exercised	(600,000)	0.05
Cancelled	(2,150,000)	0.12
Options outstanding at December 31, 2017	4,535,000	0.12
Granted	3,000,000	0.27
Exercised	(1,530,000)	0.13
Cancelled	(400,000)	0.14
Options outstanding and exercisable at March 31, 2018	5,605,000	\$ 0.22

As at March 31, 2018, the following options were outstanding and exercisable:

Expiry Date	Number Outstanding	Exercise Price
April 21, 2019	25,000	\$ 0.26
May 10, 2019	50,000	\$ 0.10
July 5, 2019	200,000	\$ 0.23
December 8, 2019	400,000	\$ 0.19
December 12, 2019	30,000	\$ 0.20
January 5, 2020	100,000	\$ 0.20
May 5, 2020	100,000	\$ 0.14
June 1, 2020	400,000	\$ 0.16
October 11, 2022	300,000	\$ 0.08
November 14, 2022	100,000	\$ 0.10
November 17, 2022	150,000	\$ 0.16
November 28, 2022	550,000	\$ 0.18
December 6, 2022	1,100,000	\$ 0.17
January 21, 2023	2,100,000	\$ 0.32
	5,605,000	

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

During the period ended March 31, 2018, the Company granted 3,900,000 options (December 31, 2016 – 2,380,000) to acquire common shares. Share-based payments relating to options vesting during the period using the Black-Scholes option pricing model was \$472,296 (December 31, 2016 - \$266,001).

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

	March 31, 2018	December 31, 2017
Weighted average fair value of options granted	\$ 0.07	\$ 0.12
Risk-free interest rate	1.91%	1.11%
Estimated life	5.00 years	3.78 years
Expected volatility	120.64%	155.46%
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, 2016	2,450,184	\$ 0.23
Issued	8,113,591	0.09
Exercised	(225,500)	0.20
Expired	(1,590,161)	0.20
Outstanding at December 31, 2017	8,748,114	0.23
Issued	13,348,066	0.09
Exercised	(949,723)	0.24
Expired	(50,300)	0.30
Outstanding at March 31, 2018	21,096,157	\$ 0.16

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

As of March 31, 2018, the following share purchase warrants were outstanding and exercisable:

Expiry Date	Number Outstanding	Exercise Price
September 30, 2018	396,361	\$ 0.30
October 10, 2019	1,256,480*	0.075
October 24, 2019	6,307,750**	0.075
January 12, 2020	13,135,566***	2.00
	21,096,157	

*15,000 warrants exercised subsequently

**1,977,000 warrants exercised subsequently

*** 473,785 warrants exercised subsequently

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, 2018	Year ended December 31, 2017
Expected dividend yield	Nil	Nil
Stock price volatility	191.15%	165.55%
Risk-free interest rate	1.76%	1.43%
Expected life of options	1.76 years	1.97 years

9. 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:

	Three months ended March 31, 2018	Three months ended March 31, 2017
Consulting fees	\$ 21,000	\$ -
Director fees	27,000	-
Management fees	-	20,000
Share-based compensation	276,214	-

As at March 31, 2018, \$6,876 (December 31, 2017 - \$17,749) owing to related parties, comprised of \$1,500 (December 31, 2017 - \$135) to the former CEO of the Company, and \$5,376 (December 31, 2017 - \$17,614) to the CEO of the Company. These amounts are included in accounts payable and are non-interest bearing, unsecured and due on demand. Additionally, the CEO of the Company made advances to the Company of \$25,077 during the year ended December 31, 2017 and it was fully repaid during the period ended March 31, 2018.

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9. RELATED PARTY DISCLOSURES (continued)

Equity:

Period ended March 31, 2018:

On January 31, 2018, the Company issued 75,555 units of the Company to the CEO for gross proceeds of \$10,200. 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 8).

On January 31, 2018, the CEO of the Company received 400,000 shares upon exercise of options for proceeds of \$45,000, and accordingly, the Company reallocated \$34,126 of contribution surplus to share capital (Note 8).

Year ended December 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 8).

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 8).

On October 11, 2017, the Company has issued 4,100,000 shares valued at \$266,500 to settle corporate indebtedness of \$205,000, of which 2,600,000 shares valued at \$169,000 was related to an officer and a director of the Company to settle corporate indebtedness of \$130,000 (Note 8).

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10. LEASE OBLIGATIONS

	March 31, 2018	
Vehicle lease obligations – contractual undiscounted cash flows		
Less than one year	\$	331,917
One to three years		450,898
Total undiscounted lease liabilities at March 31, 2018	\$	782,815
Lease liabilities included in the statement of financial position at March 31, 2018	\$	851,569
Current		229,976
Non-current	\$	621,593
	December 31, 2017	
Vehicle lease obligations – contractual undiscounted cash flows		
Less than one year	\$	161,707
One to three years		317,566
Total undiscounted lease liabilities at December 31, 2017	\$	479,273
Lease liabilities included in the statement of financial position at December 31, 2017	\$	462,119
Current		123,599
Non-current	\$	338,520

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

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

	March 31, 2018		December 31, 2017	
Loans and receivables:				
Cash	\$	1,608,263	\$	54,887
Accounts receivable		543,487		359,510
	\$	2,151,750	\$	414,397

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

	March 31, 2018		December 31, 2017	
Non-derivative financial liabilities:				
Accounts payable	\$	103,457	\$	145,443
Lease obligations		851,569		462,119
	\$	955,026	\$	607,562

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11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)***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, 2018 and December 31, 2017 approximate their fair value due to their short terms to maturity or in the case of the lease obligations they were discounted using market rates.

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:

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 accounts receivable includes \$349,418 due from one major customer. The customer is of low credit risk and none of the balance is past due. The Company's cash is held in large Canadian financial institutions and is not exposed to significant credit risk.

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.

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11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)***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, 2018.

12. SEGMENTED INFORMATION

Significant customer sales are as follows:

	Location of Customer	Period ended		Year ended	
		March 31, 2018 (\$)	%	December 31, 2017 (\$)	%
Customers					
Customer A	Canada	595,448	97	356,462	95
Customer B	Canada	17,193	3	17,193	5
		612,641		373,655	100

13. SUBSEQUENT EVENTS

- Granted 550,000 stock options to consultants of the Company exercisable at a price of \$0.235, expiring on May 1, 2023.
- issued 2,427,785 common shares upon exercise of warrants for proceeds of \$236,557.