

PARCELPAL TECHNOLOGY INC.

CONDENSED INTERIM FINANCIAL STATEMENTS

(Unaudited - expressed in Canadian Dollars)

For the Three Months Ended March 31, 2019 and 2018

**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED 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 condensed interim financial statements have been prepared by and are the responsibility of the management.

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

ParcelPal Technology Inc.Condensed Interim Statements of Financial Position
(Unaudited - expressed in Canadian Dollars)

		March 31,	December 31,
	Notes	2019	2018
		\$	\$
ASSETS			
Current assets			
Cash		2,083,240	2,079,986
Accounts receivable	3	259,648	605,342
Prepaid expenses		8,837	5,392
Loans receivable	4	85,027	62,548
		<u>2,436,752</u>	<u>2,753,268</u>
Intangible asset	6	10,100	19,100
Equipment	5	609,158	724,437
Total assets		<u>3,056,010</u>	<u>3,496,805</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	8	271,996	334,661
Sales tax payable		151,956	121,333
Lease obligations - current	10	342,634	212,372
		<u>766,586</u>	<u>668,366</u>
Lease obligations	10	431,097	617,614
Total liabilities		<u>1,197,683</u>	<u>1,285,980</u>
SHAREHOLDERS' EQUITY			
Share capital	7	8,269,756	7,693,401
Subscriptions receivable	7	(125,414)	(345,140)
Contributed surplus		2,718,223	2,462,746
Deficit		(9,004,238)	(7,600,182)
Total Shareholders' Equity		<u>1,858,327</u>	<u>2,210,825</u>
Total liabilities and shareholders' equity		<u>3,056,010</u>	<u>3,496,805</u>

Organization and nature of operations and going concern (Note 1)

Commitments (Note 10)

Subsequent events (Note 11)

Approved by the Board of Directors_____
"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

For the Three Months Ended March 31, 2019 and 2018

(Unaudited - expressed in Canadian Dollars)

	Notes	2019 \$	2018 \$
SALES	3	771,435	612,641
COST OF SALES		(674,636)	(419,285)
GROSS PROFIT		96,799	193,356
EXPENSES			
Amortization	5,6	124,279	32,982
Consulting fees	8	168,750	149,641
Foreign exchange		6,835	258
Interest expense	10	33,764	16,956
Investor relations		355,553	-
Management fees	8	75,000	27,000
Office and miscellaneous		248,237	92,529
Professional fees		18,711	15,766
Regulatory and filing fees		6,298	6,764
Salaries		36,755	-
Share-based compensation	7,8	405,752	737,804
Travel and accommodation		22,400	24,493
		(1,502,334)	(1,104,193)
Loss before other items		(1,405,535)	(910,837)
Other items:			
Interest income	4	1,479	-
		1,479	-
Loss and comprehensive loss for the period		(1,404,056)	(910,837)
Basic and diluted loss per share		(0.02)	(0.02)
Weighted average number of shares outstanding – basic and diluted		76,988,457	60,171,099

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ParcelPal Technology Inc.

Condensed Interim Statements of Changes in Shareholders' Equity

For the Three Months Ended March 31, 2019 and 2018

(Unaudited - expressed in Canadian Dollars)

	Number of shares #	Amount \$	Contributed Surplus \$	Subscriptions receivable \$	Subscriptions received in advance \$	Deficit \$	Total \$
Balance, December 31, 2017	48,180,280	3,315,693	830,239	-	37,688	(3,781,729)	401,891
Shares issued pursuant to:							
Private placements	12,999,924	1,397,017	329,286	(39,900)	(28,688)	-	1,657,715
Warrant exercises	949,723	239,037	(6,545)	-	-	-	232,492
Option exercises	1,530,000	342,289	(146,039)	(55,000)	-	-	141,250
Issue costs	-	(125,078)	-	-	-	-	(125,078)
Shares to be issued for Directors fees	-	-	-	-	(9,000)	-	(9,000)
Share-based compensation	-	-	737,804	-	-	-	737,804
Net and comprehensive loss for the period	-	-	-	-	-	(910,837)	(910,837)
Balance, March 31, 2018	63,659,927	5,168,958	1,744,745	(94,900)	-	(4,692,566)	2,126,237
Balance, December 31, 2018	76,434,953	7,693,401	2,462,746	(345,140)	-	(7,600,182)	2,210,825
Shares issued pursuant to:							
Warrant exercises	920,400	131,937	(5,407)	-	-	-	126,530
Option exercises	725,000	319,618	(144,868)	-	-	-	174,750
Debt settlement	150,000	45,000	-	-	-	-	45,000
In lieu of consulting fees	210,000	79,800	-	-	-	-	79,800
Subscriptions received	-	-	-	219,726	-	-	219,726
Share-based compensation	-	-	405,752	-	-	-	405,752
Net and comprehensive loss for the period	-	-	-	-	-	(1,404,056)	(1,404,056)
Balance, March 31, 2019	78,440,353	8,269,756	2,718,223	(125,414)	-	(9,004,238)	1,858,327

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

ParcelPal Technology Inc.

Condensed Interim Statements of Cash Flows

For the Three Months Ended March 31, 2019 and 2018

(Unaudited - expressed in Canadian Dollars)

	2019	2018
	\$	\$
Operating activities		
Loss for the period	(1,404,056)	(910,837)
Add non-cash items:		
Amortization	124,279	32,982
Share-based compensation	405,752	737,804
Accrued interest	(1,479)	16,956
Shares issued in lieu of consulting fees	79,800	-
Changes in non-cash working capital items		
Sales tax payable	30,623	25,070
Prepaid expenses	(3,445)	22,798
Accounts receivable	345,694	(183,977)
Accounts payable and accrued liabilities	(17,665)	36,589
Net cash flows used in operating activities	(440,497)	(222,615)
Investing activities		
Deposit paid on leased equipment	-	(13,697)
Net cash flows used in investing activities		(13,697)
Financing activities		
Proceeds from private placements	-	1,657,715
Share issuance costs	-	(125,078)
Exercise of options	174,750	141,250
Exercise of warrants	126,530	232,492
Lease payments	(56,255)	(51,691)
Subscriptions received	219,726	-
Advances of loans receivable	(21,000)	(65,000)
Net cash flows provided by financing activities	443,751	1,789,688
Change in cash during the period	3,254	1,553,376
Cash – beginning of the period	2,079,986	54,887
Cash – end of the period	2,083,240	1,608,263

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

ParcelPal Technology Inc.

Notes to the Condensed Interim Financial Statements
For the Three Months Ended March 31, 2019 and 2018
(Unaudited - expressed in Canadian Dollars)

1. NATURE OF OPERATIONS

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”.

These condensed interim financial statements have been prepared under the assumption that the Company will continue as a going concern. The going concern basis of presentation assumes that the Company will be able to meet its obligations and continue its operations for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. Realization values may be substantially different from the carrying values as shown, and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classifications of assets and liabilities should the Company be unable to continue as a going concern.

The Company has incurred losses and negative operating cash flows since its inception. The Company will require further financing to meet its financial obligations and sustain its operations in the normal course of the business. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. The Company’s ability to meet its long-term business strategy depends on its ability to obtain additional equity financing and to generate operational cash flow from delivery services revenue.

2. BASIS OF PRESENTATION

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2018, which have been prepared in accordance with IFRS as issued by IASB.

The Company uses the same accounting policies and methods of computation as in financial statements for the year ended December 31, 2018. These condensed interim financial statements were approved by the board of directors for use on May 30, 2019.

3. ACCOUNTS RECEIVABLE

	December 31, 2018	December 31, 2018
	\$	\$
Accounts receivable	259,648	605,342

As at March 31, 2019 all of the Company’s accounts receivable are current, and accordingly no provision for doubtful account was made.

One customer accounted for 98% of accounts receivable and 95% of revenue as at March 31, 2019 (2018 – 100% of revenue and 100% of accounts receivable).

ParcelPal Technology Inc.

Notes to the Condensed Interim Financial Statements
 For the Three Months Ended March 31, 2019 and 2018
 (Unaudited - expressed in Canadian Dollars)

4. LOANS RECEIVABLE

On July 29, 2018 the Company entered into a loan agreement with a company related to a director, whereby the Company advanced \$60,000 to the vendor. The loan is unsecured, bears interest at 10% per annum and is due on demand. As at March 31, 2019 the Company has accrued \$4,027 of interest.

On March 20, 2019, the Company entered into a loan agreement with a company related to a director, whereby the Company advanced \$21,000 to the vendor. The loan is unsecured, non-interest bearing and due on demand.

5. EQUIPMENT

Equipment consists of leased vehicles carried at cost less accumulated depreciation. The Company's vehicles as at March 31, 2019 and December 31, 2018 are as follows:

	Vehicles
	\$
Cost	
Balance, December 31, 2017	583,881
Additions	572,339
Balance, March 31, 2019 and December 31, 2018	1,156,220
Accumulated amortization	
Balance, December 31, 2017	19,186
Amortization	412,597
Balance, December 31, 2018	431,783
Amortization	115,279
Balance, March 31, 2019	547,062
Net Book Value	
Balance, December 31, 2018	724,437
Balance, March 31, 2019	609,158

6. INTANGIBLE ASSET

	Application software
	\$
Cost	
Balance, March 31, 2019 and December 31, 2018	110,000
Accumulated amortization	
Balance, December 31, 2017	54,800
Amortization	36,100
Balance, December 31, 2018	90,900
Amortization	9,000
Balance, March 31, 2019	99,900
Net Book Value	
Balance, December 31, 2018	19,100
Balance, March 31, 2019	10,100

ParcelPal Technology Inc.

Notes to the Condensed Interim Financial Statements
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7. SHARE CAPITAL**Common Shares****Authorized:**

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

Issued:

During the three months ended March 31, 2019:

- a) On January 31, 2019 the Company issued 150,000 common shares to settle debt of \$45,000. The shares were fair valued at \$45,000 and no gain or loss on debt settlement was recorded.
- b) On March 22, 2019 the Company issued 210,000 common shares in lieu of services, the shares were fair valued at \$79,800.
- c) The Company issued 725,000 common shares pursuant to option exercises, for gross proceeds of \$174,750. The Company reallocated \$144,868 of contributed surplus to share capital.
- d) The Company issued 920,400 common shares pursuant to warrant exercises, for gross proceeds of \$126,530. The Company reallocated \$5,407 of contributed surplus to share capital.
- e) The Company received \$219,726 of subscriptions receivable.

Stock Options

The Company has adopted an incentive stock option plan, which enables the Board of Directors of the Company from time to time, at its discretion, and in accordance with the CSE requirements to, 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 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 \$
Balance, December 31, 2017	4,535,000	0.12
Granted	8,775,000	0.26
Exercised	(1,981,000)	0.13
Expired	(500,000)	0.13
Balance, December 31, 2018	10,829,000	0.24
Granted	500,000	0.30
Exercised	(725,000)	0.24
Balance, March 31, 2019	10,604,000	0.24
Unvested	(562,500)	0.25
Exercisable at March 31, 2019	10,041,500	0.24

ParcelPal Technology Inc.

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During the three months ended March 31, 2019, the Company recorded share-based payments expense of \$405,752 (2018 - \$737,804) pursuant to the vesting of previously granted options and the granting of 500,000 options (2018 – 3,000,000) to a consultant of the Company. The options granted during the three months ended March 31, 2019 were fair valued at \$120,874 using the Black-Scholes option pricing model. The assumptions used in the Black-Scholes option pricing model are as follows:

	March 31, 2019	December 31 2018
Weighted average fair value of options granted	\$ 0.22	\$ 0.12
Risk-free interest rate	1.80%	1.88%-2.2%
Estimated life	5.00 years	5.00 years
Expected volatility	122%	123%-127%
Expected dividend yield	0.00%	0.00%

As at March 31, 2019 the following options were outstanding and exercisable:

Expiry Date	Exercise price \$	Remaining life (years)	Options outstanding	Unvested	Vested
April 21, 2019	0.26	0.06	25,000	-	25,000
July 5, 2019	0.23	0.26	200,000	-	200,000
December 8, 2019	0.19	0.69	400,000	-	400,000
December 12, 2019	0.20	0.70	30,000	-	30,000
January 5, 2020	0.20	0.77	100,000	-	100,000
May 5, 2020	0.14	1.10	100,000	-	100,000
June 1, 2020	0.16	1.17	400,000	-	400,000
November 17, 2022	0.16	3.64	150,000	-	150,000
November 28, 2022	0.18	3.67	550,000	-	550,000
December 6, 2022	0.17	3.69	1,100,000	-	1,100,000
January 21, 2023	0.32	3.81	2,099,000	-	2,099,000
May 1, 2023	0.24	4.09	550,000	-	550,000
June 28, 2023	0.20	4.25	225,000	-	225,000
August 15, 2023	0.21	4.38	400,000	-	400,000
August 31, 2023	0.27	4.42	1,650,000	-	1,650,000
November 22, 2023	0.26	4.65	150,000	-	150,000
December 13, 2023 ²	0.25	4.71	1,975,000	562,500	1,412,500
February 14, 2024	0.295	4.88	500,000	-	500,000
			10,604,000	562,500	10,041,500

² Vest on April 13, 2019

ParcelPal Technology Inc.

Notes to the Condensed Interim Financial Statements
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 (Unaudited - expressed in Canadian Dollars)

Warrants

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

	Number of Options #	Weighted Average Exercise Price \$
Balance, December 31, 2017	8,748,114	0.12
Issued	14,820,033	0.23
Exercised	(9,546,319)	0.15
Expired	(143,911)	0.17
Balance, December 31, 2018	13,877,917	0.20
Exercised	(920,400)	0.14
Balance, March 31, 2019	12,957,517	0.21

As of March 31, 2019, the following share purchase warrants were outstanding and exercisable:

Expiry Date	Number Outstanding	Exercise Price \$
October 10, 2019	1,076,480	0.075
October 24, 2019	1,369,400	0.075
January 12, 2020	9,039,670	0.200
October 17, 2020	1,471,967	0.50
	12,957,517	

8. RELATED PARTY TRANSACTIONS

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, 2019 \$	March 31, 2018 \$
Consulting fees	51,200	21,000
Director fees	-	27,000
Management fees	75,000	-
Share-based compensation	-	276,214
	126,200	324,214

Included in accounts payable as at March 31, 2019, is \$106,620 (December 31, 2018 - \$43,442) owing to directors and officers. These amounts are non-interest bearing, unsecured and due on demand.

ParcelPal Technology Inc.

Notes to the Condensed Interim Financial Statements
 For the Three Months Ended March 31, 2019 and 2018
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9. FINANCIAL INSTRUMENTS***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, 2019.

Classification of financial instruments

The Company's financial instruments consist of cash, accounts receivable, loans receivable, accounts payable and lease obligations. The Company classifies cash, accounts receivable and loans receivable as financial assets at amortized cost. Accounts payable and lease obligations are classified as financial liabilities at amortized cost.

The Company examines the various financial instruments and risks to which it is exposed and assesses the impact and likelihood of those risks. These risks include foreign currency risk, interest rate risk, credit risk and liquidity risk. When material, these risks are reviewed and monitored by the Board of Directors.

There have been changes in any risk management policies during the period ended March 31, 2019.

10. LEASE OBLIGATIONS

	March 31, 2019	December 31, 2018
	\$	\$
Vehicle lease obligations – contractual undiscounted cash flows		
Less than one year	362,503	212,372
One to three years	143,161	398,948
Total undiscounted lease liabilities	505,664	611,320
Lease liabilities included in the statement of financial position		
Current	342,634	212,372
Non-current	431,097	617,614
Total lease liabilities included in the statement of financial position	773,731	829,986

11. SUBSEQUENT EVENTS

Subsequent to March 31, 2019

- the Company issued 200,000 common shares pursuant to exercise of stock options for proceeds of \$50,000;
- the Company issued 833,800 common shares pursuant to exercise of warrants for proceeds of \$113,010;

ParcelPal Technology Inc.

Notes to the Condensed Interim Financial Statements
For the Three Months Ended March 31, 2019 and 2018
(Unaudited - expressed in Canadian Dollars)

- the Company issued 171,427 common shares to its officers, directors and consultants to settle corporate indebtedness of \$45,000;
- the Company granted 150,000 stock options to consultants, exercisable at \$0.27 for a period of 5 years from date of grant.