

# **PARCELPAL TECHNOLOGY INC.**

CONDENSED INTERIM FINANCIAL STATEMENTS

(Unaudited - expressed in Canadian Dollars)

For the Three and Six Months Ended June 30, 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)

		<b>June 30, 2019</b>	<b>December 31, 2018</b>
	<b>Notes</b>	<b>\$</b>	<b>\$</b>
<b>ASSETS</b>			
Current assets			
Cash		619,023	2,079,986
Accounts receivable	3	328,182	605,342
Prepaid expenses		31,406	5,392
Loans receivable	4	84,862	62,548
		<u>1,063,473</u>	<u>2,753,268</u>
Intangible asset	6	1,100	19,100
Equipment	5	492,598	724,437
<b>Total assets</b>		<u>1,557,171</u>	<u>3,496,805</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Current liabilities			
Accounts payable and accrued liabilities	8	291,191	334,661
Sales tax payable		-	121,333
Lease obligations - current	10	524,940	212,372
		<u>816,131</u>	<u>668,366</u>
Lease obligations	10	190,440	617,614
<b>Total liabilities</b>		<u>1,006,571</u>	<u>1,285,980</u>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	7	8,709,817	7,693,401
Subscriptions receivable	7	(125,413)	(345,140)
Contributed surplus		2,917,265	2,462,746
Deficit		(10,951,069)	(7,600,182)
<b>Total Shareholders' Equity</b>		<u>550,600</u>	<u>2,210,825</u>
<b>Total liabilities and shareholders' equity</b>		<u>1,557,171</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 and Six Months Ended June 30, 2019 and 2018

(Unaudited - expressed in Canadian Dollars)

	Notes	Three Months ended June 30,		Six Months ended June 30,	
		2019	2018	2019	2018
		\$	\$	\$	\$
<b>SALES</b>	3	770,452	770,022	1,541,887	1,382,663
<b>COST OF SALES</b>		(706,399)	(591,425)	(1,381,035)	(1,010,710)
<b>GROSS PROFIT</b>		64,053	178,597	160,852	371,953
<b>EXPENSES</b>					
Amortization	5,6	125,560	134,311	249,839	167,293
Consulting fees	8	284,287	197,779	453,037	347,419
Foreign exchange		1,126	216	7,961	474
Interest expense	10	31,668	36,415	65,432	53,371
Marketing and promotion		867,722	25,227	1,223,275	25,227
Management fees	8	45,000	27,000	120,000	54,000
Office and miscellaneous		209,557	90,293	457,794	182,822
Professional fees		35,285	33,105	53,996	48,871
Regulatory and filing fees		10,727	2,810	17,025	9,574
Salaries		134,143	-	170,898	-
Share-based compensation	7,8	238,237	181,558	643,989	919,362
Travel and accommodation		13,194	22,533	35,594	47,026
		(1,996,506)	(751,246)	(3,498,840)	(1,855,439)
Loss before other items		(1,932,453)	(572,649)	(3,337,988)	(1,483,486)
<b>Other items:</b>					
Debt settlement		15,857	2,850	15,857	2,850
Interest income	4	(1,479)	-	(2,958)	-
		14,379	2,850	12,899	2,850
Loss and comprehensive loss for the period		(1,946,831)	(575,499)	(3,350,887)	(1,486,336)
Basic and diluted loss per share		(0.02)	(0.01)	(0.04)	(0.02)
Weighted average number of shares outstanding – basic and diluted		79,838,747	64,947,737	78,421,473	62,565,498

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

**ParcelPal Technology Inc.**

## Condensed Interim Statements of Changes in Shareholders' Equity

For the Six Months Ended June 30, 2019 and 2018

(Unaudited - expressed in Canadian Dollars)

	Number of shares #	Amount \$	Contributed Surplus \$	Subscriptions receivable \$	Subscriptions received in advance \$	Deficit \$	Total \$
<b>Balance, December 31, 2017</b>	<b>48,180,280</b>	<b>3,315,693</b>	<b>830,239</b>	<b>-</b>	<b>37,688</b>	<b>(3,781,729)</b>	<b>401,891</b>
Shares issued pursuant to:							
Private placements	12,729,924	1,360,567	329,286	(10,200)	(28,688)	-	1,650,965
Warrant exercises	3,620,508	528,168	(36,144)	-	-	-	492,024
Option exercises	1,530,000	342,289	(146,039)	(55,000)	-	-	141,250
Debt settlement	285,000	59,850	-	-	-	-	59,850
Issue costs	-	(125,078)	-	-	-	-	(125,078)
Shares to be issued for Directors fees	-	-	-	-	(9,000)	-	(9,000)
Share-based compensation	-	-	919,362	-	-	-	919,362
Net and comprehensive loss for the period	-	-	-	-	-	(1,486,336)	(1,486,336)
<b>Balance, June 30, 2018</b>	<b>66,345,712</b>	<b>5,481,489</b>	<b>1,896,704</b>	<b>(65,200)</b>	<b>-</b>	<b>(5,268,065)</b>	<b>2,044,928</b>
<b>Balance, December 31, 2018</b>	<b>76,434,953</b>	<b>7,693,401</b>	<b>2,462,746</b>	<b>(345,140)</b>	<b>-</b>	<b>(7,600,182)</b>	<b>2,210,825</b>
Shares issued pursuant to:							
Warrant exercises	2,554,200	289,947	(5,407)	-	-	-	284,540
Option exercises	925,000	408,813	(184,063)	-	-	-	224,750
Debt settlement	321,427	105,857	-	-	-	-	105,857
In lieu of consulting fees	810,000	211,800	-	-	-	-	211,800
Subscriptions received	-	-	-	219,726	-	-	219,726
Share-based compensation	-	-	643,989	-	-	-	643,989
Net and comprehensive loss for the period	-	-	-	-	-	(3,350,887)	(3,350,887)
<b>Balance, June 30, 2019</b>	<b>81,045,580</b>	<b>8,709,817</b>	<b>2,917,265</b>	<b>(125,414)</b>	<b>-</b>	<b>(10,951,069)</b>	<b>550,600</b>

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

**ParcelPal Technology Inc.**

Condensed Interim Statements of Cash Flows  
For the Six Months Ended June 30, 2019 and 2018  
(Unaudited - expressed in Canadian Dollars)

	<b>2019</b>	<b>2018</b>
	\$	\$
<b>Operating activities</b>		
Loss for the period	(3,350,887)	(1,486,336)
Add non-cash items:		
Amortization	249,839	167,293
Share-based compensation	643,989	919,362
Accrued interest	(2,958)	-
Shares issued in lieu of consulting fees	211,800	-
Loss on debt settlement	15,857	2,850
Changes in non-cash working capital items		
Sales tax payable	(121,333)	44,164
Prepaid expenses	(26,014)	(40,000)
Accounts receivable	277,160	(218,500)
Accounts payable and accrued liabilities	48,174	102,096
Net cash flows used in operating activities	(2,054,373)	(375,700)
<b>Investing activities</b>		
Deposit paid on leased equipment	-	(13,697)
Purchase of marketable securities	-	(245,000)
Net cash flows used in investing activities		(258,697)
<b>Financing activities</b>		
Proceeds from private placements	-	1,657,715
Share issuance costs	-	(125,078)
Exercise of options	224,750	141,250
Exercise of warrants	284,540	492,024
Lease payments	(114,606)	(136,566)
Subscriptions received	219,726	-
Advances of loans receivable	(21,000)	(65,000)
Net cash flows provided by financing activities	593,410	1,964,345
<b>Change in cash during the period</b>	(1,460,963)	1,329,948
<b>Cash – beginning of the period</b>	2,079,986	54,887
<b>Cash – end of the period</b>	619,023	1,384,835

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 and Six Months Ended June 30, 2019 and 2018  
(Unaudited - expressed in Canadian Dollars)

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### **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 August 29, 2019.

### **3. ACCOUNTS RECEIVABLE**

	<b>June 30, 2019</b>	<b>December 31, 2018</b>
	\$	\$
Accounts receivable	<b>328,182</b>	<b>605,342</b>

As at June 30, 2019 all of the Company’s accounts receivable are current, and accordingly no provision for doubtful account was made.

One customer accounted for 96% of accounts receivable and 97% of revenue as at June 30, 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 June 30, 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 June 30, 2019 the Company has accrued \$5,506 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 June 30, 2019 and December 31, 2018 are as follows:

	<b>Vehicles</b>
	<b>\$</b>
<b>Cost</b>	
Balance, December 31, 2017	583,881
Additions	572,339
<b>Balance, June 30, 2019 and December 31, 2018</b>	<b>1,156,220</b>
<b>Accumulated amortization</b>	
Balance, December 31, 2017	19,186
Amortization	412,597
<b>Balance, December 31, 2018</b>	<b>431,783</b>
Amortization	231,839
<b>Balance, June 30, 2019</b>	<b>663,621</b>
<b>Net Book Value</b>	
Balance, December 31, 2018	724,437
<b>Balance, June 30, 2019</b>	<b>429,598</b>

**6. INTANGIBLE ASSET**

	<b>Application software</b>
	<b>\$</b>
<b>Cost</b>	
Balance, June 30, 2019 and December 31, 2018	110,000
<b>Accumulated amortization</b>	
Balance, December 31, 2017	54,800
Amortization	36,100
Balance, December 31, 2018	90,900
Amortization	18,000
Balance, June 30, 2019	108,900
<b>Net Book Value</b>	
Balance, December 31, 2018	19,100
<b>Balance, June 30, 2019</b>	<b>1,100</b>



**ParcelPal Technology Inc.**

Notes to the Condensed Interim Financial Statements  
For the Three Months Ended June 30, 2019 and 2018  
(Unaudited - expressed in Canadian Dollars)

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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 six months ended June 30, 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 received \$219,726 of subscriptions receivable.
- d) The Company issued 200,000 common shares pursuant to exercise of stock options for proceeds of \$50,000;
- e) The Company issued 171,427 common shares to its officers, directors and consultants to settle corporate indebtedness of \$45,000;
- f) The Company issued 925,000 common shares pursuant to exercise of stock options for proceeds of \$224,750;
- g) The Company issued 2,554,200 common shares pursuant to exercise of warrants for proceeds of \$284,540;
- h) The Company issued 600,000 common shares in lieu of services, the shares were fair valued at \$132,000.

**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.

**ParcelPal Technology Inc.**

Notes to the Condensed Interim Financial Statements  
For the Three Months Ended June 30, 2019 and 2018  
(Unaudited - expressed in Canadian Dollars)

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

	Number of Options #	Weighted Average Exercise Price \$
<b>Balance, December 31, 2017</b>	<b>4,535,000</b>	<b>0.12</b>
Granted	8,775,000	0.26
Exercised	(1,981,000)	0.13
Expired	(500,000)	0.13
<b>Balance, December 31, 2018</b>	<b>10,829,000</b>	<b>0.24</b>
Granted	1,150,000	0.27
Exercised	(925,000)	0.24
<b>Balance, June 30, 2019</b>	<b>11,029,000</b>	<b>0.24</b>
Unvested	(650,000)	0.25
<b>Exercisable at June 30, 2019</b>	<b>10,379,000</b>	<b>0.24</b>

During the six months ended June 30, 2019, the Company recorded share-based payments expense of \$643,988 (2018 - \$919,362) pursuant to the vesting of previously granted options and the granting of 1,150,000 options (2018 - 3,000,000) to a consultant of the Company. The options granted during the six months ended June 30, 2019 were fair valued at \$424,664 using the Black-Scholes option pricing model and they vest over a four month period. The assumptions used in the Black-Scholes option pricing model are as follows:

	June 30, 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	118%	123%-127%
Expected dividend yield	0.00%	0.00%

**ParcelPal Technology Inc.**

Notes to the Condensed Interim Financial Statements

For the Three Months Ended June 30, 2019 and 2018

(Unaudited - expressed in Canadian Dollars)

As at June 30, 2019 the following options were outstanding and exercisable:

<b>Expiry Date</b>	<b>Exercise price \$</b>	<b>Remaining life (years)</b>	<b>Options outstanding</b>	<b>Unvested</b>	<b>Vested</b>
July 5, 2019	0.23	0.01	200,000	-	200,000
December 8, 2019	0.19	0.44	400,000	-	400,000
December 12, 2019	0.20	0.45	30,000	-	30,000
January 5, 2020	0.20	0.52	100,000	-	100,000
May 5, 2020	0.14	0.85	100,000	-	100,000
June 1, 2020	0.16	0.92	400,000	-	400,000
November 17, 2022	0.16	3.39	150,000	-	150,000
November 28, 2022	0.18	3.42	550,000	-	550,000
December 6, 2022	0.17	3.44	1,100,000	-	1,100,000
January 21, 2023	0.32	3.56	2,099,000	-	2,099,000
May 1, 2023	0.24	3.84	550,000	-	550,000
June 28, 2023	0.20	4.00	225,000	-	225,000
August 15, 2023	0.21	4.13	400,000	-	400,000
August 31, 2023	0.27	4.17	1,650,000	-	1,650,000
November 22, 2023	0.26	4.40	150,000	-	150,000
December 13, 2023 <sup>2</sup>	0.25	4.46	1,775,000	-	1,775,000
February 14, 2024	0.295	4.63	500,000	-	500,000
May 2, 2024	0.27	4.84	150,000	150,000	-
May 17, 2024	0.245	4.91	200,000,	200,000	-
June 17, 2024	0.245	4.97	300,000	300,000	-
			<b>11,029,000</b>	<b>650,000</b>	<b>10,379,000</b>

<sup>2</sup> Vest on April 13, 2019**Warrants**

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

	<b>Number of Options #</b>	<b>Weighted Average Exercise Price \$</b>
<b>Balance, December 31, 2017</b>	<b>8,748,114</b>	<b>0.12</b>
Issued	14,820,033	0.23
Exercised	(9,546,319)	0.15
Expired	(143,911)	0.17
<b>Balance, December 31, 2018</b>	<b>13,877,917</b>	<b>0.20</b>
Exercised	(2,554,200)	0.11
<b>Balance, June 30, 2019</b>	<b>11,323,717</b>	<b>0.23</b>

**ParcelPal Technology Inc.**

Notes to the Condensed Interim Financial Statements  
 For the Three Months Ended June 30, 2019 and 2018  
 (Unaudited - expressed in Canadian Dollars)

As of June 30, 2019, the following share purchase warrants were outstanding and exercisable:

Expiry Date	Number Outstanding	Exercise Price \$
October 10, 2019	476,480	0.075
October 24, 2019	619,400	0.075
January 12, 2020	8,755,870	0.200
October 17, 2020	1,471,967	0.50
	11,323,717	

**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:

	Three months ended		Six months ended	
	June 30,		June 30,	
	2019	2018	2019	2018
	\$	\$	\$	\$
Consulting fees	83,478	21,000	134,678	42,000
Management fees	45,000	27,000	120,000	54,000
Share-based compensation	-	37,911		314,125
	128,478	85,911	254,678	410,125

Included in accounts payable as at June 30, 2019, is \$78,721 (December 31, 2018 - \$43,442) owing to directors and officers. These amounts are non-interest bearing, unsecured and due on demand.

**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 June 30, 2019.

**Classification of financial instruments**

**ParcelPal Technology Inc.**

Notes to the Condensed Interim Financial Statements  
For the Three Months Ended June 30, 2019 and 2018  
(Unaudited - expressed in Canadian Dollars)

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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 June 30, 2019.

**10. LEASE OBLIGATIONS**

	<b>June 30, 2019</b>	<b>December 31, 2018</b>
	\$	\$
<b>Vehicle lease obligations – contractual undiscounted cash flows</b>		
Less than one year	319,588	212,372
One to three years	93,202	398,948
Total undiscounted lease liabilities	412,790	611,320
<b>Lease liabilities included in the statement of financial position</b>		
Current	524,939	212,372
Non-current	190,441	617,614
Total lease liabilities included in the statement of financial position	715,380	829,986

**11. SUBSEQUENT EVENTS**

Subsequent to June 30, 2019

- the Company issued 120,000 common shares pursuant to exercise of warrants for proceeds of \$9,000;
- the Company issued 500,000 common shares in lieu of consulting fees