

PARCELPAL TECHNOLOGY INC.

CONDENSED INTERIM FINANCIAL STATEMENTS

(Unaudited - expressed in Canadian Dollars)

For the Three and Nine Months Ended September 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)

		September 30, 2019	December 31, 2018
	Notes	\$	\$
ASSETS			
Current assets			
Cash		109,230	2,079,986
Accounts receivable	3	701,557	605,342
Prepaid expenses		13,835	5,392
Loans receivable	4	89,333	62,548
		913,955	2,753,268
Intangible asset	6	-	19,100
Equipment	5	374,758	724,437
Total assets		1,288,713	3,496,805
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	8	416,394	334,661
Sales tax payable		34,050	121,333
Lease obligations - current	10	504,630	212,372
		955,074	668,366
Lease obligations	10	150,203	617,614
Total liabilities		1,105,277	1,285,980
SHAREHOLDERS' EQUITY			
Share capital	7	8,949,675	7,693,401
Subscriptions receivable	7	(125,414)	(345,140)
Contributed surplus		3,070,160	2,462,746
Deficit		(11,710,985)	(7,600,182)
Total Shareholders' Equity		183,436	2,210,825
Total liabilities and shareholders' equity		1,288,713	3,496,805

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 Nine Months Ended September 30, 2019 and 2018

(Unaudited - expressed in Canadian Dollars)

	Notes	Three Months ended September 30,		Nine Months ended September 30,	
		2019 \$	2018 \$	2019 \$	2018 \$
SALES	3	1,299,275	822,456	2,841,162	2,205,119
COST OF SALES		(877,676)	(615,255)	(2,258,711)	(1,625,965)
GROSS PROFIT		421,599	207,201	582,451	579,154
EXPENSES					
Amortization	5,6	118,940	136,339	368,779	303,632
Consulting fees	8	114,761	115,850	567,798	463,269
Foreign exchange		(64)	76	7,897	550
Interest expense	10	29,936	53,380	95,368	106,751
Marketing and promotion		270,876	144,540	1,494,151	169,767
Management fees	8	82,800	30,000	202,800	84,000
Office and miscellaneous		255,273	155,184	713,067	338,006
Professional fees		23,634	27,473	77,630	76,344
Regulatory and filing fees		5,754	3,120	22,779	12,694
Salaries		124,436	-	295,334	-
Share-based compensation	7,8	152,895	74,657	796,884	994,019
Travel and accommodation		10,660	18,050	46,254	65,076
		(1,189,901)	(758,669)	(4,688,741)	(2,614,108)
Loss before other items		(768,302)	(551,468)	(4,106,290)	(2,034,954)
Other items:					
(Gain) loss on debt settlement		(5,442)	19,500	10,415	22,350
Interest income	4	(2,944)	(1,036)	(5,902)	(1,036)
		(8,386)	18,464	4,513	21,314
Loss and comprehensive loss for the period		(759,916)	(569,932)	(4,110,803)	(2,056,268)
Basic and diluted loss per share		(0.01)	(0.01)	(0.05)	(0.03)
Weighted average number of shares outstanding – basic and diluted		81,737,248	67,555,122	79,538,879	64,064,490

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 Nine Months Ended September 30, 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	12,729,924	1,360,567	329,286	(10,200)	(28,688)	-	1,650,965
Warrant exercises	8,862,119	1,380,556	(40,029)	-	-	-	1,340,527
Option exercises	1,831,000	388,676	(168,111)	(55,000)	-	-	165,565
Debt settlement	435,000	106,350	-	-	(9,000)	-	97,350
Issue costs	-	(125,078)	-	-	-	-	(125,078)
Share-based compensation	-	-	994,019	-	-	-	994,019
Net and comprehensive loss for the period	-	-	-	-	-	(2,056,268)	(2,056,268)
Balance, September 30, 2018	72,038,323	6,426,764	1,945,404	(65,200)	-	(5,837,997)	2,468,971
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	2,854,200	337,447	(5,407)	-	-	-	332,040
Option exercises	925,000	408,813	(184,063)	-	-	-	224,750
Debt settlement	614,447	145,414	-	-	-	-	145,414
In lieu of consulting fees	1,590,000	364,600	-	-	-	-	364,600
Subscriptions received	-	-	-	219,726	-	-	219,726
Share-based compensation	-	-	796,884	-	-	-	796,884
Net and comprehensive loss for the period	-	-	-	-	-	(4,110,803)	(4,110,803)
Balance, September 30, 2019	82,418,600	8,949,675	3,070,160	(125,414)	-	(11,710,985)	183,436

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

ParcelPal Technology Inc.
Condensed Interim Statements of Cash Flows
For the Nine Months Ended September 30, 2019 and 2018
(Unaudited - expressed in Canadian Dollars)

	2019	2018
	\$	\$
Operating activities		
Loss for the period	(4,110,803)	(2,056,268)
Add non-cash items:		
Amortization	368,779	303,632
Share-based compensation	796,884	994,019
Accrued interest	(5,785)	(1,036)
Shares issued in lieu of consulting fees	364,600	-
Loss on debt settlement	10,415	22,350
Changes in non-cash working capital items		
Sales tax payable	(87,283)	73,106
Prepaid expenses	(8,443)	49,812
Accounts receivable	(96,215)	(12,747)
Accounts payable and accrued liabilities	216,732	102,959
Net cash flows used in operating activities	(2,551,119)	(524,173)
Investing activities		
Deposit paid on leased equipment	-	(13,697)
Purchase of marketable securities	-	(245,000)
Net cash flows used in investing activities	-	(258,697)
Financing activities		
Proceeds from private placements	-	1,641,965
Share issuance costs	-	(125,078)
Exercise of options	224,750	165,565
Exercise of warrants	332,040	1,340,527
Lease payments	(175,153)	(205,181)
Subscriptions received	219,726	-
Advances of loans receivable	(21,000)	(70,000)
Net cash flows provided by financing activities	580,363	2,747,798
Change in cash during the period	(1,970,756)	1,964,928
Cash – beginning of the period	2,079,986	54,887
Cash – end of the period	109,230	2,019,815

ParcelPal Technology Inc.

Notes to the Condensed Interim Financial Statements

For the Three and Nine Months Ended September 30, 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 November 29, 2019.

3. ACCOUNTS RECEIVABLE

	September 30, 2019	December 31, 2018
	\$	\$
Accounts receivable	701,557	605,342

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

One customer accounted for 97% of accounts receivable September 30, 2019 (2018 –100% of accounts receivable).

ParcelPal Technology Inc.

Notes to the Condensed Interim Financial Statements

For the Three and Nine Months Ended September 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 September 30, 2019 the Company has accrued \$8,333 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 September 30, 2019 and December 31, 2018 are as follows:

	Vehicles
	\$
Cost	
Balance, December 31, 2017	583,881
Additions	572,339
Balance, September 30, 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	349,679
Balance, September 30, 2019	781,462
Net Book Value	
Balance, December 31, 2018	724,437
Balance, September 30, 2019	374,758

ParcelPal Technology Inc.

Notes to the Condensed Interim Financial Statements

For the Three and Nine Months Ended September 30, 2019 and 2018

(Unaudited - expressed in Canadian Dollars)

6. INTANGIBLE ASSET

	Application software
	\$
Cost	
Balance, September 30, 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	19,100
Balance, September 30, 2019	108,900
Net Book Value	
Balance, December 31, 2018	19,100
Balance, September 30, 2019	-

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 nine months ended September 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 fees, 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 2,854,200 common shares pursuant to exercise of warrants for proceeds of \$332,040;
- h) The Company issued 600,000 common shares in lieu of fees, the shares were fair valued at \$132,000;
- i) On September 10, 2019 the Company issued 293,020 common shares to settle debt of \$45,000, the shares were fair valued at \$39,558 and a gain on debt settlement of \$5,442 was recorded;
- j) On July 30, 2019 the Company issued 500,000 common shares in lieu of fees, the shares were fair valued at \$115,000;

ParcelPal Technology Inc.

Notes to the Condensed Interim Financial Statements

For the Three and Nine Months Ended September 30, 2019 and 2018

(Unaudited - expressed in Canadian Dollars)

- k) On September 10, 2019 the Company issued 280,000 common shares in lieu of fees, the shares were fair valued at \$37,800.

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	1,150,000	0.27
Exercised	(925,000)	0.24
Expired	(225,000)	0.23
Balance, September 30, 2019	10,829,000	0.24
Unvested	(300,000)	0.25
Exercisable at September 30, 2019	10,529,000	0.24

During the nine months ended September 30, 2019, the Company recorded share-based payments expense of \$796,884 (2018 - \$994,019) pursuant to the vesting of previously granted options and the granting of 1,150,000 options (2018 - 3,000,000) to consultants of the Company. The options granted during the nine months ended September 30, 2019 were fair valued at \$426,664 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:

	September 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 and Nine Months Ended September 30, 2019 and 2018

(Unaudited - expressed in Canadian Dollars)

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

Expiry Date	Exercise price \$	Remaining life (years)	Options outstanding	Unvested	Vested
December 8, 2019	0.19	0.19	400,000	-	400,000
December 12, 2019	0.20	0.20	30,000	-	30,000
January 5, 2020	0.20	0.27	100,000	-	100,000
May 5, 2020	0.14	0.60	100,000	-	100,000
June 1, 2020	0.16	0.67	400,000	-	400,000
November 17, 2022	0.16	3.13	150,000	-	150,000
November 28, 2022	0.18	3.16	550,000	-	550,000
December 6, 2022	0.17	3.19	1,100,000	-	1,100,000
January 21, 2023	0.32	3.31	2,099,000	-	2,099,000
May 1, 2023	0.24	3.59	550,000	-	550,000
June 28, 2023	0.20	3.75	225,000	-	225,000
August 15, 2023	0.21	3.88	400,000	-	400,000
August 31, 2023	0.27	3.92	1,650,000	-	1,650,000
November 22, 2023	0.26	4.15	150,000	-	150,000
December 13, 2023 ²	0.25	4.21	1,775,000	-	1,775,000
February 14, 2024	0.295	4.38	500,000	-	500,000
May 2, 2024	0.27	4.59	150,000	-	150,000
May 17, 2024	0.245	4.66	200,000	-	200,000
June 17, 2024	0.245	4.72	300,000	300,000	-
		3.40	10,829,000	300,000	10,529,000

² Vest on April 13, 2019**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	(2,854,200)	0.12
Balance, September 30, 2019	11,023,717	0.23

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

ParcelPal Technology Inc.

Notes to the Condensed Interim Financial Statements

For the Three and Nine Months Ended September 30, 2019 and 2018

(Unaudited - expressed in Canadian Dollars)

Expiry Date	Number Outstanding	Exercise Price \$
October 10, 2019	476,480	0.075
October 24, 2019	519,400	0.075
January 12, 2020	8,555,870	0.200
October 17, 2020	1,471,967	0.50
	11,023,717	

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 September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
	\$	\$	\$	\$
Consulting fees	48,881	7,000	183,559	49,000
Management fees	82,800	30,000	202,800	84,000
Share-based compensation	-	-	-	314,125
	131,681	37,000	386,359	447,125

Included in accounts payable as at September 30, 2019, is \$62,433 (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 September 30, 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.

ParcelPal Technology Inc.

Notes to the Condensed Interim Financial Statements

For the Three and Nine Months Ended September 30, 2019 and 2018

(Unaudited - expressed in Canadian Dollars)

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 September 30, 2019.

10. LEASE OBLIGATIONS

	September 30, 2019	December 31, 2018
	\$	\$
Vehicle lease obligations – contractual undiscounted cash flows		
Less than one year	274,681	212,372
One to three years	45,234	398,948
Total undiscounted lease liabilities	319,915	611,320
Lease liabilities included in the statement of financial position		
Current	504,630	212,372
Non-current	150,203	617,614
Total lease liabilities included in the statement of financial position	654,833	829,986

11. SUBSEQUENT EVENTS

Subsequent to September 30, 2019

- the Company issued 104,400 common shares pursuant to exercise of warrants for proceeds of \$7,830;
- the Company granted 2,000,000 options to consultants of the Company with an average exercise price of \$0.09 and a 5 year life.