

PARCELPAL TECHNOLOGY INC.

FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

For the Years Ended December 31, 2019 and 2018



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ParcelPal Technology Inc.

Opinion

We have audited the financial statements of ParcelPal Technology Inc. (the "Company"), which comprise the statements of financial position as at December 31, 2019 and 2018, and the statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which indicates that the Company has incurred losses and negative cash from operations. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Steven Reichert.

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DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

June 8, 2020



An independent firm
associated with Moore
Global Network Limited

ParcelPal Technology Inc.
 Statements of Financial Position
 (Expressed in Canadian Dollars)

	Notes	December 31, 2019 \$	December 31, 2018 \$
ASSETS			
Current assets			
Cash		295,593	2,079,986
Accounts receivable	3	745,002	605,342
Subscriptions receivable	8	72,875	-
Prepaid expenses		3,019	5,392
Loan receivable	4	1,874	62,548
		1,118,363	2,753,268
Intangible asset	7	-	19,100
Right-of-use assets	6	182,730	724,437
Total assets		1,301,093	3,496,805
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	9	589,257	334,661
Sales tax payable		102,597	121,333
Lease obligations - current	12	207,520	212,372
		899,374	668,366
Lease obligations	12	11,581	617,614
Total liabilities		910,955	1,285,980
SHAREHOLDERS' EQUITY			
Share capital	8	9,367,691	7,693,401
Subscriptions received in advance		100,240	-
Subscriptions receivable	8	-	(345,140)
Contributed surplus		3,020,617	2,462,746
Deficit		(12,098,410)	(7,600,182)
Total shareholders' equity		390,138	2,210,825
Total liabilities and shareholders' equity		1,301,093	3,496,805

Nature of operations and going concern (Note 1)

Commitments (Note 12)

Subsequent events (Note 14)

Approved by the Board of Directors

 "Rich Wheelless" Director

 "Brian Storseth" Director

ParcelPal Technology Inc.

Statements of Loss and Comprehensive Loss
For the Years Ended December 31, 2019 and 2018
(Expressed in Canadian Dollars)

	Notes	2019 \$	2018 \$
SALES	3	4,782,865	3,369,630
COST OF SALES		(3,986,888)	(2,567,595)
GROSS PROFIT		795,977	802,035
EXPENSES			
Amortization	6,7	253,735	448,697
Consulting fees	9	860,248	815,060
Foreign exchange		12,243	1,029
Interest expense	12	56,812	135,849
Marketing and promotion		1,586,284	470,394
Management and director fees	9	190,800	108,000
Office and miscellaneous		970,019	522,194
Professional fees		124,550	119,713
Regulatory and filing fees		48,924	27,654
Salaries		358,074	-
Share-based compensation	9	776,962	1,548,784
Travel and accommodation		62,459	97,328
		(5,301,110)	(4,294,702)
Loss before other items		(4,505,133)	(3,492,667)
Other items:			
Loss on debt settlement		857	18,334
Interest income	4	(7,762)	(5,890)
Impairment of marketable securities	5	-	300,000
Impairment of loan receivable	4	-	13,342
		(6,905)	325,786
Loss and comprehensive loss for the year		(4,498,228)	(3,818,453)
Basic and diluted loss per share		(0.06)	(0.06)
Weighted average number of shares outstanding – basic and diluted		80,778,869	66,902,789

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

ParcelPal Technology Inc.

Statements of Changes in Shareholders' Equity
For the Years Ended December 31, 2019 and 2018
(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	15,577,651	2,686,557	-	(221,590)	(28,688)	-	2,436,279
Warrant exercises	9,546,319	1,492,780	(88,438)	(68,550)	-	-	1,335,792
Option exercises	1,981,000	429,176	(168,111)	(55,000)	-	-	206,065
Debt settlement	549,703	141,334	-	-	(9,000)	-	132,334
In lieu of consulting fees	600,000	180,000	-	-	-	-	180,000
Issue costs	-	(211,867)	-	-	-	-	(211,867)
Broker warrants	-	(340,272)	340,272	-	-	-	-
Share-based compensation	-	-	1,548,784	-	-	-	1,548,784
Net and comprehensive loss for the year	-	-	-	-	-	(3,818,453)	(3,818,453)
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:							
Private placements	4,071,353	344,031	2,034	-	-	-	346,065
Warrant exercises	2,958,600	355,287	(15,417)	-	-	-	339,870
Option exercises	1,275,000	461,957	(205,708)	-	-	-	256,249
Debt settlement	614,447	168,857	-	-	-	-	168,857
In lieu of consulting fees	1,590,000	364,600	-	-	-	-	364,600
Issue costs	-	(20,442)	-	-	-	-	(20,442)
Subscriptions received	-	-	-	345,140	100,240	-	445,380
Share-based compensation	-	-	776,962	-	-	-	776,962
Net and comprehensive loss for the year	-	-	-	-	-	(4,498,228)	(4,498,228)
Balance, December 31, 2019	86,944,353	9,367,691	3,020,617	-	100,240	(12,098,410)	390,138

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

ParcelPal Technology Inc.
Statements of Cash Flows
For the Years Ended December 31, 2019 and 2018
(Expressed in Canadian Dollars)

	2019	2018
	\$	\$
Operating activities		
Loss for the year	(4,498,228)	(3,818,453)
Add non-cash items:		
Amortization	253,735	448,697
Share-based compensation	776,962	1,548,784
Accrued interest	(7,700)	(5,890)
Impairment of loan receivable	-	13,342
Impairment of marketable securities	-	300,000
Shares issued in lieu of consulting fees	364,600	180,000
Loss on debt settlement	857	18,334
Changes in non-cash working capital items		
Sales tax payable	(18,736)	97,208
Prepaid expenses	2,373	71,009
Accounts receivable	(139,660)	(245,832)
Accounts payable and accrued liabilities	572,999	237,422
Net cash flows used in operating activities	(2,692,798)	(1,155,379)
Investing activities		
Deposit paid on leased equipment	-	(34,125)
Advances of loans receivable	(21,000)	(375,000)
Repayment of loans receivable	89,374	250,000
Purchase of marketable securities	-	(245,000)
Net cash flows provided by (used in) investing activities	68,374	(404,125)
Financing activities		
Proceeds from private placements	273,190	2,427,279
Share issuance costs	(20,442)	(211,867)
Exercise of options	256,249	206,065
Exercise of warrants	339,870	1,335,792
Lease payments	(303,813)	(172,666)
Subscriptions received in advance	100,240	-
Subscriptions receivable	194,737	-
Net cash flows provided by financing activities	840,031	3,584,603
Change in cash during the year	(1,784,393)	2,025,099
Cash – beginning of the year	2,079,986	54,887
Cash – end of the year	295,593	2,079,986

Supplemental cash flow Note 13

ParcelPal Technology Inc.

Notes to the Financial Statements

For the Years Ended December 31, 2019 and 2018

(Expressed in Canadian Dollars)

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”.

These 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

Statement of Compliance

These 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 interpretations of the International Financial Reporting Issues Committee (“IFRIC”). These financial statements were approved by the Board of Directors and authorized for issue on June 9, 2020.

Basis of measurements

These financial statements have been prepared on a historical cost basis, except for items measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information. The financial statements are presented in Canadian dollars, unless otherwise noted.

Significant estimates and assumptions

The preparation of 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 Financial Statements

For the Years Ended December 31, 2019 and 2018

(Expressed in Canadian Dollars)

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, estimating allowances for doubtful accounts receivable, the recoverability of loans receivable, estimating useful lives of equipment, 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.

Financial Instruments

Recognition and Classification

The Company recognizes a financial asset or financial liability on the statement of financial position when it becomes party to the contractual provisions of the financial instrument.

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics.

Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The following table shows the classification of its financial assets and liabilities under IFRS 9:

	Classification IFRS 9
Cash	Amortized cost
Accounts receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Marketable securities	FVTPL
Loans receivable	Amortized cost
Lease obligation	Amortized cost

Measurement

Financial assets at FVTOCI

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in other comprehensive loss.

ParcelPal Technology Inc.

Notes to the Financial Statements

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Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of comprehensive loss in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive loss.

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Derecognition**Financial assets**

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of comprehensive loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive loss.

Financial liabilities

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets.

Leases

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 Financial Statements

For the Years Ended December 31, 2019 and 2018

(Expressed in Canadian Dollars)

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 cost 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 the statement of comprehensive 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.

Revenue from Contracts with Customers

The Company's revenue is generated from a work contract established with one major customer and from other individual customers on demand. Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue and costs to sell can be reliably measured. Revenues is recognized when services are rendered or delivery of goods is completed.

Performance Obligations

Based on the criteria outlined in IFRS 15, the Company's primary performance obligation relating to its sales contracts with customers is the delivery of the product or products by an agreed upon time.

Transaction Price

Based on the criteria outlined in IFRS 15, the Company determined that the transaction price is based upon scheduled and on demand or same day rates. As the Company has one primary performance obligation, that is making the required deliveries on time, the entire transaction price is allocated to the completion of deliveries.

Once the Company's performance obligation of completing the required deliveries on time, the Company's obligation is met and the Company recognizes revenue.

ParcelPal Technology Inc.

Notes to the Financial Statements

For the Years Ended December 31, 2019 and 2018

(Expressed in Canadian Dollars)

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 the 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 statements of comprehensive loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge. Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive loss to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive loss. Where the non-monetary gain or loss is recognized in comprehensive loss, the exchange component is also recognized in comprehensive loss.

Loss per share

Basic loss per share is calculated by dividing the loss for the year by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting the net loss for the year 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. Because the Company incurred net losses, the effect of dilutive instruments would be anti-dilutive and therefore diluted loss per share equals basic loss per share.

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 loss or equity is recognized in other comprehensive loss or equity and not in comprehensive 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.

ParcelPal Technology Inc.

Notes to the Financial Statements

For the Years Ended December 31, 2019 and 2018

(Expressed in Canadian Dollars)

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.

Equipment

Leased vehicles are 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

The Company records internally-generated intangible assets at cost less accumulated amortization and accumulated impairment losses.

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 technological 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 year ended December 31, 2019.

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 Financial Statements

For the Years Ended December 31, 2019 and 2018

(Expressed in Canadian Dollars)

Valuation of equity units issued in private placements

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The fair value of common shares issued in private placements was determined to be the more easily measurable component and are valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to attached warrants. Any fair value attributed to warrants issued in private placements is recorded to reserves.

Impairment of assets

The Company performs 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 the depreciated carrying value that would have otherwise occurred if the impairment loss had not occurred.

The CGU’s recoverable amount is evaluated using the higher of the fair value less costs to sell or value in use. 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.

3. ACCOUNTS RECEIVABLE

	December 31, 2019	December 31, 2018
	\$	\$
Accounts receivable	745,002	605,342

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

One customer accounted for 98% of accounts receivable at December 31, 2019 (2018 –100% of accounts receivable) and 99% (2018 – 100%) of total revenues during the year ended December 31, 2019.

4. LOAN 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. On March 20, 2019, the Company advanced an additional \$21,000 to the vendor. The loan is unsecured, bears interest at 10% per annum and is due on demand. During the year ended December 31, 2019 \$89,374 of the loan was repaid and as at December 31, 2019 \$1,874 remains outstanding.

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On October 31, 2018, the Company entered into a loan agreement with a company related to a director, whereby the Company advanced \$250,000 to the vendor. The loan is unsecured, bears interest at 8% annually and is due on demand. During the year ended December 31, 2018, the Company accrued \$3,342 of interest, related to this loan. During the year ended December 31, 2018, the Company received the principal balance in full and the accrued interest was impaired.

During the year ended December 31, 2018, the Company advanced \$65,000 to an arm's length vendor. The Company agreed to partially settle \$55,000 of the amount advanced for 1,695,652 shares of 152 Tech Solutions Ltd. (note 5). The advance was unsecured, non-interest bearing and due on demand. During the year ended December 31, 2018, the Company impaired the outstanding balance of \$10,000 due to uncertainty of collectability.

5. MARKETABLE SECURITIES

On April 10, 2018, the Company acquired 1,695,652 shares of 152 Tech Solutions Ltd. valued at \$300,000 in exchange for the conversion of \$55,000 of advances (Note 4) and the payment of \$245,000. 152 Tech Solutions Ltd. is a private entity and therefore has no active market for its shares. During the year ended December 31, 2018, the Company impaired the investment to \$nil.

6. RIGHT-OF-USE ASSETS

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

	Vehicles
	\$
Cost	
Balance, December 31, 2017	583,881
Additions	572,339
Balance, December 31, 2018	1,156,220
Re-measurement of lease liability	(307,072)
Balance, December 31, 2019	849,148
Accumulated amortization	
Balance, December 31, 2017	19,186
Amortization	412,597
Balance, December 31, 2018	431,783
Amortization	234,635
Balance, December 31, 2019	666,418
Net Book Value	
Balance, December 31, 2018	724,437
Balance, December 31, 2019	182,730

During the year ended December 31, 2019, the Company re-measured the residual value guarantee related to the outstanding vehicle leases. It was determined that based on the current value of the vehicles the residual value guarantee recorded was overstated. The outstanding lease obligations were reduced by \$307,072 to reduce the estimated residual value guarantee and a corresponding adjustment was made to reduce the right of use asset value.

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7. INTANGIBLE ASSET

	Application software
	\$
Cost	
Balance, December 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	19,100
Balance, December 31, 2019	110,000
Net Book Value	
Balance, December 31, 2018	19,100
Balance, December 31, 2019	-

8. 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 year ended December 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 fees, the shares were fair valued at \$79,800.
- c) The Company received \$194,737 of subscriptions receivable.
- d) On April 8, 2019, the Company issued 171,427 common shares to its officers, directors and consultants to settle corporate indebtedness of \$60,000, the shares were fair valued at \$60,857 and a loss on debt settlement of \$857 was recorded.
- e) The Company issued 1,275,000 common shares pursuant to exercise of stock options for proceeds of \$256,249.
- f) The Company issued 2,958,600 common shares pursuant to exercise of warrants for proceeds of \$339,870.
- g) The Company issued 600,000 common shares in lieu of fees, the shares were fair valued at \$132,000.
- h) On September 10, 2019 the Company issued 293,020 common shares to settle debt of \$63,000, the shares were fair valued at \$63,000 and no gain or loss on debt settlement was recorded.
- i) On July 30, 2019 the Company issued 500,000 common shares in lieu of fees, the shares were fair valued at \$115,000.
- j) On September 10, 2019 the Company issued 280,000 common shares in lieu of fees, the shares were fair valued at \$37,800.

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- k) On November 22, 2019, the Company closed a non-brokered private placement financing consisting of 4,071,353 units at a price of \$0.085 per unit for gross proceeds of \$346,065. 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 \$0.15 per share for a period of 24 months from the date of issuance. The Company incurred cash share issuance costs of \$20,442 and issued 48,800 finders' warrants exercisable at a price of \$0.15 per share for a period of 24 months from the date of grant. The fair value of the finders warrants were fair valued at \$2,034 using the Black Scholes option pricing model. As at December 31, 2019, the Company had \$72,875 in subscriptions receivable relating to the private placement.

During the year ended December 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, which were received during year ended December 31, 2017. 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.
- b) On January 24, 2018, the Company closed a non-brokered private placement financing consisting of 12,304,924 units at a price of \$0.135 per unit for gross proceeds of \$1,661,165, of which \$10,200 was received subsequent to December 31, 2018. 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 \$125,077 and issued 760,642 finders' warrants exercisable at a price of \$0.20 per share for a period of 24 months from the date of grant. The fair value of the finders warrants were fair valued at \$329,286 using the Black Scholes option pricing model.
- c) On June 27, 2018, the Company issued 285,000 shares valued at \$59,850 to its officers, directors and a consultant to settle corporate indebtedness of \$57,000 resulting in a loss of \$2,850.
- d) On September 10, 2018, the Company issued 150,000 shares valued at \$46,500 to its officers, directors and a consultant to settle corporate indebtedness of \$27,500 resulting in a loss of \$19,500.
- e) On October 17, 2018, the Company completed a non-brokered private placement issuing 2,847,727 units at \$0.35 for gross proceeds of \$996,704, of which \$211,390 has been accounted for as subscription receivable. Each unit consists of one common share and one-half share purchase warrant with each full warrant being exercisable by the holder at \$0.50 per warrant for common shares of the Company for a period of 24 months from date of issuance. The Company incurred cash issue costs of \$86,790 and issued 48,104 finders' warrants with an exercise price of \$0.50, expiring on October 17, 2020. The finders' warrants were fair valued at \$10,986 using the Black Scholes option pricing model.
- f) On October 25, 2018, the Company issued 114,703 common shares valued at \$34,984, to its officers, directors and a consultant to settle corporate indebtedness of \$39,000 resulting in a gain on debt settlement of \$4,016.
- g) On November 13, 2018, the Company issued 600,000 common shares in lieu of consulting fees, the shares were fair valued at \$180,000.

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- h) During the year ended December 31, 2018, the Company issued 9,546,319 common shares upon exercise of warrants for proceeds of \$1,404,342, of which \$68,550 has been accounted as subscription receivable.
- i) During the year ended December 31, 2018, the Company issued 1,981,000 common shares upon exercise of options for proceeds of \$261,065, of which \$55,000 has been accounted as subscription 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	3,400,000	0.15
Exercised	(1,275,000)	0.20
Expired	(655,000)	0.24
Forfeited	(1,925,000)	0.24
Balance, December 31, 2019	10,374,000	0.22
Unvested	(1,900,000)	0.11
Exercisable at December 31, 2019	8,474,000	0.25

Pursuant to the exercise of stock options the Company reallocated \$205,708 (2018 - \$168,111) of contributed surplus to share capital. Pursuant to the exercise of warrants the Company reallocated \$15,417 (2018 - \$88,438) of contributed surplus to share capital.

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During the year ended December 31, 2019, the Company recorded share-based payments expense of \$776,962 (2018 - \$1,548,784) pursuant to the vesting of previously granted options and the granting of options to consultants of the Company. The Company fair values options using the Black-Scholes option pricing model using the following assumptions:

	December 31, 2019	December 31 2018
Weighted average fair value of options granted	\$ 0.04	\$ 0.05
Risk-free interest rate	1.15%-1.8%	1.88%-2.2%
Estimated life	5.00 years	5.00 years
Expected volatility	112%-122%	123%-127%
Expected dividend yield	0.00%	0.00%

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

Expiry Date	Exercise price \$	Remaining life (years)	Options outstanding	Unvested	Vested
January 5, 2020	0.20	0.01	100,000	-	100,000
May 5, 2020	0.14	0.35	100,000	-	100,000
June 1, 2020	0.16	0.42	150,000	-	400,000
November 17, 2022	0.16	2.88	150,000	-	150,000
November 28, 2022	0.18	2.91	550,000	-	550,000
December 6, 2022	0.17	2.93	1,100,000	-	1,100,000
January 21, 2023	0.32	3.06	2,049,000	-	2,049,000
May 1, 2023	0.24	3.33	500,000	-	550,000
June 28, 2023	0.20	3.49	225,000	-	225,000
August 15, 2023	0.21	3.62	400,000	-	400,000
August 31, 2023	0.27	3.67	1,100,000	-	1,100,000
November 22, 2023	0.26	3.90	150,000	-	150,000
December 13, 2023	0.25	3.95	750,000	-	750,000
February 14, 2024	0.295	4.13	500,000	-	500,000
May 2, 2024	0.27	4.34	150,000	-	150,000
May 17, 2024	0.245	4.41	200,000	-	200,000
June 17, 2024	0.245	4.47	300,000	-	300,000
October 7, 2024	0.09	4.77	1,000,000	1,000,000	-
October 11, 2024	0.09	4.78	650,000	650,000	-
December 4, 2024	0.09	4.93	250,000	250,000	-
		3.27	10,374,000	1,900,000	8,474,000

Subsequent to December 31, 2019, 1,000,000 options were exercised for gross proceeds of \$90,000. At December 31, 2019 this amount was recorded as subscriptions received in advance.

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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
Issued	2,084,476	0.15
Exercised	(2,958,600)	0.11
Expired	(891,480)	0.08
Balance, December 31, 2019	12,112,313	0.23

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

Expiry Date	Number Outstanding	Exercise Price \$
January 12, 2020	8,555,870	0.20
October 17, 2020	1,471,967	0.50
November 22, 2021	2,084,476	0.15
	12,112,313	0.23

Subsequent to December 31, 2019 494,722 warrants expired unexercised.

9. 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:

	December 31, 2019 \$	December 31, 2018 \$
Consulting fees	322,656	98,225
Management fees	163,800	72,000
Software development	66,465	-
Share-based compensation	-	276,211
	552,921	446,436

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Included in accounts payable as at December 31, 2019, is \$64,047 (December 31, 2018 - \$43,442) owing to directors and officers. These amounts are non-interest bearing, unsecured and due on demand.

10. INCOME TAXES

The income tax provision differs from expected amounts calculated by applying Canadian combined federal and provincial corporate income tax rates to the Company's loss before income taxes. The components of these differences are as follows:

	December 31, 2019	December 31, 2018
	\$	\$
Net loss for the year	(4,498,228)	(3,818,453)
Statutory income tax rate	27%	27%
Expected income tax recovery	(1,214,521)	(1,030,982)
Permanent differences	205,553	418,172
Adjustments to prior year versus statutory tax return	-	(69,594)
Change in unrecognized deferred assets	1,008,968	682,404
Income tax recovery	-	-

Temporary differences that give rise to the following deferred tax assets and liabilities are:

	December 31, 2019	December 31, 2018
	\$	\$
Deferred tax assets		
Non-capital tax loss carry forwards	2,276,956	1,245,451
Other	109,482	123,003
Share issuance costs	43,527	47,024
	2,429,965	1,415,478
Valuation allowance	(2,429,965)	(1,415,478)
	-	-

As at December 31, 2019, the Company has approximately \$8,433,000 of non-capital losses in Canada that may be used to offset future taxable income, expiring between 2026 and 2039.

11. FINANCIAL INSTRUMENTS**Classification of financial instruments**

The Company's financial instruments consist of cash, accounts receivable, loans receivable, accounts payable and accrued liabilities 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.

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There have been no changes in any risk management policies during the year ended December 31, 2019.

Fair value

Financial instruments measured at fair value are classified into one of the 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 the Company's financial assets and liabilities measured at amortized cost approximate their fair value due to their short term to maturity.

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

The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the 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 \$728,966 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.

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

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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 year ended December 31, 2019.

12. LEASE OBLIGATIONS

	Minimum lease payments		Present value of minimum lease payments	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
	\$	\$	\$	\$
Less than one year	219,423	355,320	207,520	212,372
More than one year and less than 5 years	12,372	616,279	11,581	617,614
	231,795	971,599	219,101	829,986
Interest included in minimum lease payments	(12,694)	(141,613)		
Present value of minimum lease payments	219,101	829,986		
Future minimum lease payments:				
< 1 year	-	-	207,520	212,372
> 1 year < 5 years	-	-	11,581	617,614
> 5 years			-	-
Total			219,101	829,986

During the year ended December 31, 2019, the Company re-measured the residual value guarantee related to the outstanding vehicle leases. It was determined that based on the current value of the vehicles the residual value guarantee recorded was overstated. The outstanding lease obligations were reduced by \$307,072 to reduce the estimated residual value guarantee and a corresponding adjustment was made to reduce the right of use asset value.

13. SUPPLEMENTAL CASH FLOW INFORMATION

During the year ended December 31, 2019 the Company issued 614,447 shares valued at \$168,856 to settle accounts payable of \$168,000 and issued 1,590,000 shares, valued at \$364,600, for consulting services.

During the year ended December 31, 2019 the Company had \$8,374 (2018 - \$nil) in interest relating to loans receivable (note 4).

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14. SUBSEQUENT EVENTS

On January 9, 2020 the Company granted 362,222 stock options to a consultant of the Company. The options have an exercise price of \$0.14 and expire on January 9, 2021.

On January 14, 2020 the Company issued 600,000 common shares in lieu of fees for consulting services.

On January 30, 2020 the Company granted 250,000 to an employee of the Company, the options have an exercise price of \$0.14 and expire on January 30, 2023. The options vest on January 30, 2021.

On January 30, 2020, the World Health Organization declared COVID-19 a global pandemic. This contagious disease outbreak and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, leading to an economic downturn. The pandemic could continue to have a negative impact on the stock market, including trading prices of the Company's shares and its ability to raise new capital.

On February 11, 2020 the Company issued 416,667 commons shares to settle debt of \$50,000.

On February 21, 2020 1,000,000 stock options were exercised for proceeds of \$90,000, which were recorded as subscriptions received in advance at December 31, 2019.

On March 23, 2020 the Company issued 205,556 common shares in lieu of fees to a consultant of the Company.

On April 14, 2020 the Company completed a non-brokered private placement pursuant to which it issued an unsecured convertible note with a face value of up to US\$367,500 (the "Note"). The terms of the Note are as follows:

- 1) US\$250,000 was advanced to the Company on closing and US\$12,500 was retained by the Noteholder as an original issue discount for expenses related to the offering, and the issuance of 300,000 common shares as investment incentive shares;
- 2) Up to US\$100,000 upon request by the Company shall be advanced by the Noteholder in such amounts and at such date as the parties mutually agree, plus the prorated 5% original issue discount to the Company on such amounts, and up to an additional 300,000 investment incentive shares assuming the maximum investment of not less than US\$100,000 to the Company;
- 3) The Note bears interest at a one-time guaranteed rate of 10% on the principal sum of each funded tranche, and has a maturity date of seven and one-half months from the effective date of each tranche funding.
- 4) The principal amount shall be convertible into common shares of the Company prior to the Maturity Date, at the option of the Noteholder, at a fixed conversion price of US\$0.06 per share;
- 5) If the Note is not fully repaid or fully converted on or before the Maturity Date, then the Noteholder has the option to convert the remaining outstanding amount under the Note into common shares at the variable conversion price equal to the lower of (a) US\$0.06 per share or (b) 65% of the lowest volume weighted average price of the Company's common shares during the 10 consecutive trading prior to the date on which the Noteholder elects to convert all or part of the Note, provided that any such discount

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to the conversion price is in compliance with applicable Canadian securities laws and the policies and rules of the CSE.

On May 6, 2020 the Company granted 2,875,000 stock options to directors, officers and consultants of the Company. The options have an exercise price of \$0.09 per option and expire on May 6, 2025.