

# **PARCELPAL TECHNOLOGY INC.**

CONDENSED INTERIM FINANCIAL STATEMENTS

(Unaudited - expressed in Canadian Dollars)

For the Six Months Ended June 30, 2020 and 2019

**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)

	Notes	June 30, 2020 \$	December 31, 2019 \$
<b>ASSETS</b>			
Current assets			
Cash		220,655	295,593
Accounts receivable	3	468,333	745,002
Subscriptions receivable	6	14,225	72,875
Prepaid expenses		1,091	3,019
Loan receivable	4	5,266	1,874
		709,570	1,118,363
Right-of-use assets	5	421,371	182,730
<b>Total assets</b>		<b>1,130,941</b>	<b>1,301,093</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Current liabilities			
Accounts payable and accrued liabilities	7	599,773	589,257
Convertible Note	10	787,017	-
Sales tax payable		177,883	102,597
Lease obligations - current	9	261,576	207,520
		1,826,249	899,374
Lease obligations	9	157,074	11,581
<b>Total liabilities</b>		<b>1,983,323</b>	<b>910,955</b>
<b>SHAREHOLDERS' (DEFICIT) EQUITY</b>			
Share capital	6	9,915,409	9,367,691
Subscriptions received in advance		10,240	100,240
Contributed surplus		2,988,586	3,020,617
Deficit		(13,766,617)	(12,098,410)
<b>Total shareholders' (deficit) equity</b>		<b>(852,382)</b>	<b>390,138</b>
<b>Total liabilities and shareholders' equity</b>		<b>1,130,941</b>	<b>1,301,093</b>

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.**

Condensed Interim Statements of Loss and Comprehensive Loss

For the Three and Six Months Ended June 30, 2020 and 2019

(Unaudited - expressed in Canadian Dollars)

	Notes	Three months ended June 30,		Six Months Ended June 30,	
		2020 \$	2019 \$	2020 \$	2019 \$
<b>SALES</b>	3	1,445,587	770,452	2,545,913	1,541,887
<b>COST OF SALES</b>		(1,272,115)	(706,399)	(2,291,336)	(1,381,035)
<b>GROSS PROFIT</b>		173,472	64,053	254,577	160,852
<b>EXPENSES</b>					
Amortization	5	84,541	125,560	150,516	249,239
Consulting fees	7	250,736	284,287	407,077	453,037
Foreign exchange		1,377	1,126	1,379	7,961
Interest expense		9,478	31,668	16,972	65,432
Marketing and promotion		28,314	867,722	41,195	1,223,275
Management and director fees	7	35,000	45,000	54,000	120,000
Office and miscellaneous		88,805	209,557	559,591	457,794
Professional fees		47,164	35,285	71,215	53,996
Regulatory and filing fees		10,044	10,727	30,096	17,025
Salaries		296,996	134,143	422,000	170,898
Share-based compensation	6	115,000	238,237	157,687	643,989
Travel and accommodation		8,051	13,194	11,056	35,594
		(975,506)	(1,996,506)	(1,922,784)	(3,498,840)
Loss before other items		(802,034)	(1,932,453)	(1,668,207)	(3,337,988)
<b>Other items:</b>					
Debt settlement		-	15,857	-	15,857
Interest income		-	(1,479)	-	(2,598)
			14,379		12,899
Loss and comprehensive loss for the period		(802,034)	(1,946,831)	(1,668,207)	(3,350,887)
Basic and diluted loss per share		(0.01)	(0.02)	(0.02)	(0.04)
Weighted average number of shares outstanding – basic and diluted		89,762,620	79,838,747	88,955,043	78,421,473

**ParcelPal Technology Inc.**

## Condensed Interim Statements of Changes in Shareholders' Equity

For the Six Months Ended June 30, 2020 and 2019

(Unaudited - expressed in Canadian Dollars)

	Number of shares	Amount \$	Contributed Surplus \$	Subscriptions receivable \$	Subscriptions received in advance \$	Deficit \$	Total \$
<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>(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>(10,951,069)</b>	<b>550,600</b>
<b>Balance, December 31, 2019</b>	<b>86,944,353</b>	<b>9,367,691</b>	<b>3,020,617</b>	-	<b>100,240</b>	<b>(12,098,410)</b>	<b>390,138</b>
Shares issued pursuant to:							
Option exercises	1,000,000	162,218	(72,218)	-	(90,000)	-	-
Convertible note	900,000	90,000	(117,500)	-	-	-	(27,500)
Debt settlement	416,667	50,000	-	-	-	-	50,000
In lieu of consulting fees	2,875,556	245,500	-	-	-	-	245,500
Share-based compensation	-	-	157,687	-	-	-	157,687
Net and comprehensive loss for the period	-	-	-	-	-	(1,668,207)	(1,668,207)
<b>Balance, June 30, 2020</b>	<b>92,136,576</b>	<b>9,915,409</b>	<b>2,988,586</b>	-	<b>10,240</b>	<b>(13,766,617)</b>	<b>(852,382)</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, 2020 and 2019  
(Unaudited - expressed in Canadian Dollars)

	2020	2019
	\$	\$
<b>Operating activities</b>		
Loss for the period	(1,668,207)	(3,350,887)
Add non-cash items:		
Amortization	150,516	249,839
Share-based compensation	157,687	643,989
Accrued interest	-	(2,958)
Shares issued in lieu of consulting fees	245,500	211,800
Loss on debt settlement	-	15,857
Changes in non-cash working capital items		
Sales tax payable	75,286	(121,333)
Prepaid expenses	1,928	(26,014)
Accounts receivable	276,669	277,160
Accounts payable and accrued liabilities	60,516	48,174
<b>Net cash flows used in operating activities</b>	<b>(700,105)</b>	<b>(2,054,373)</b>
<b>Investing activity</b>		
Advances of loans receivable	-	-
<b>Net cash flows provided by (used in) investing activities</b>	<b>-</b>	<b>(21,000)</b>
<b>Financing activities</b>		
Convertible note	759,517	-
Exercise of options	-	224,750
Exercise of warrants	-	284,540
Lease payments	(189,608)	(114,606)
Advances of loans receivable	(3,392)	(21,000)
Subscriptions received	58,650	219,726
<b>Net cash flows provided by financing activities</b>	<b>625,167</b>	<b>593,410</b>
<b>Change in cash during the period</b>	<b>(74,938)</b>	<b>(1,460,963)</b>
<b>Cash – beginning of the period</b>	<b>295,593</b>	<b>2,079,986</b>
<b>Cash – end of the period</b>	<b>220,655</b>	<b>619,023</b>

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 Six Months Ended June 30, 2020 and 2019

(Unaudited - expressed in Canadian Dollars)

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### **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 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 condensed interim 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.

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.

### **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, 2019, 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, 2019. These condensed interim financial statements were approved by the board of directors for use on August 31, 2020.

### **3. ACCOUNTS RECEIVABLE**

	<b>June 30, 2020</b>	<b>December 31, 2019</b>
	\$	\$
Accounts receivable	<b>468,333</b>	<b>745,002</b>

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 Six Months Ended June 30, 2020 and 2019

(Unaudited - expressed in Canadian Dollars)

As at June 30, 2020 all of the Company's accounts receivable are current, and accordingly no provision for doubtful accounts, was made.

One customer accounted for 91% of accounts receivable at June 30, 2020 (2019 – 97% of accounts receivable) and 97% (2019 – 100%) of total revenues during the three months ended June 30, 2020.

**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 June 30, 2020 \$5,266 remains outstanding.

**5. RIGHT-OF-USE ASSETS**

Right-of-use assets consists of leased vehicles carried at cost less accumulated depreciation. The Company's vehicles as at June 30, 2020 and December 31, 2019 are as follows:

	<b>Vehicles</b>
	<b>\$</b>
<b>Cost</b>	
Balance, December 31, 2018	1,156,220
Re-measurement of lease liability	(307,072)
Balance, December 31, 2019	849,148
Additions	389,157
<b>Balance, June 30, 2020</b>	<b>1,238,305</b>
<b>Accumulated amortization</b>	
Balance, December 31, 2018	431,783
Amortization	234,635
Balance, December 31, 2019	666,418
Amortization	150,516
<b>Balance, June 30, 2020</b>	<b>816,934</b>
<b>Net Book Value</b>	
<b>Balance, December 31, 2019</b>	<b>182,730</b>
<b>Balance, June 30, 2020</b>	<b>421,371</b>

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.



**ParcelPal Technology Inc.**

Notes to the Condensed Interim Financial Statements

For the Six Months Ended June 30, 2020 and 2019

(Unaudited - expressed in Canadian Dollars)

**6. 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 period ended June 30, 2020:

- a. On January 14, 2020 the Company issued 600,000 common shares in lieu of fees for consulting services. The shares were fair valued at \$20,000
- b. On February 11, 2020 the Company issued 416,667 common shares to settle debt of \$50,000. The shares were fair valued at \$50,000 and no gain or loss on debt settlement was recorded.
- c. On March 23, 2020 the Company issued 205,556 common shares in lieu of fees to a consultant of the Company. The shares were fair valued at \$18,500.
- d. On May 29, 2020, the Company issued 600,000 shares to a vendor as consideration for a note issued by the Company, the shares were fair valued at \$60,000
- e. On June 9, 2020, the Company issued 270,000 in lieu of fees, the shares were fair valued at \$27,000
- f. On June 11, 2020, the Company issued 1,200,000 common shares to settle and terminate a business advisory agreement, the shares were fair valued at \$120,000
- g. On June 24, 2020 the Company issued 600,000 common shares in lieu of fees for consulting services. The shares were fair valued at \$60,000.
- h. On June 29, 2020, the Company issued 300,000 shares to a vendor as consideration for a note issued by the Company, the shares were fair valued at \$30,000
- i. By June 30, 2020, the Company received \$58,650 of 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.

**ParcelPal Technology Inc.**

Notes to the Condensed Interim Financial Statements

For the Six Months Ended June 30, 2020 and 2019

(Unaudited - expressed in Canadian Dollars)

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

	<b>Number of Options #</b>	<b>Weighted Average Exercise Price \$</b>
<b>Balance, December 31, 2018</b>	<b>10,829,000</b>	<b>0.24</b>
Granted	3,400,000	0.15
Exercised	(1,275,000)	0.20
Expired	(655,000)	0.24
Forfeited	(1,925,000)	0.24
<b>Balance, December 31, 2019</b>	<b>10,374,000</b>	<b>0.22</b>
Granted	3,487,222	0.10
Exercised	(1,000,000)	0.09
Expired	(200,000)	0.17
Forfeited	(5,211,222)	0.21
<b>Balance, June 30, 2020</b>	<b>7,450,000</b>	<b>0.18</b>
Forfeited	(250,000)	0.14
<b>Exercisable at June 30, 2020</b>	<b>7,200,000</b>	<b>0.18</b>

Pursuant to the exercise of stock options the Company reallocated \$72,218 (2019 - \$184,063) of contributed surplus to share capital.

On May 6, 2020 the Company granted 2,875,000 options to officers, directors and consultants of the Company. The options had an exercise price of \$0.09, vested immediately and expire on May 6, 2025. The Company fair valued the options using the Black-Scholes option pricing model at \$115,000.

On June 1, 2020 the Company granted 250,000 options to an employee of the Company, the options have an exercise price of \$0.14 and expire on January 30, 2023. The options vested immediately and expire on June 1, 2025 and were fair valued at \$14,251.

**ParcelPal Technology Inc.**

Notes to the Condensed Interim Financial Statements

For the Six Months Ended June 30, 2020 and 2019

(Unaudited - expressed in Canadian Dollars)

During the six months ended June 30, 2020, the Company recorded share-based payments expense of \$157,687 (2019 - \$643,988) pursuant to the vesting of previously granted options and the granting of the above mentioned options. The Company fair values options using the Black-Scholes option pricing model using the following assumptions:

	<b>June 30, 2020</b>	<b>December 31 2019</b>
Weighted average fair value of options granted	\$ 0.03	\$ 0.04
Risk-free interest rate	1.51%-1.67%	1.15%-1.8%
Estimated life	1 – 5 years	5.00 years
Expected volatility	65-119%	112%-122%
Expected dividend yield	0.00%	0.00%

As at June 30, 2020 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>Forfeited</b>	<b>Vested</b>
November 17, 2022	0.16	2.38	150,000	-	150,000
November 28, 2022	0.18	2.41	550,000	-	550,000
January 21, 2023	0.32	2.56	450,000	-	450,000
January 31, 2023	0.14	2.59	250,000	250,000	-
May 1, 2023	0.24	2.84	500,000	-	500,000
June 28, 2023	0.20	2.99	25,000	-	25,000
August 15, 2023	0.21	3.13	400,000	-	400,000
August 31, 2023	0.27	3.17	450,000	-	450,000
November 22, 2023	0.26	3.40	150,000	-	150,000
December 13, 2023	0.25	3.45	750,000	-	750,000
May 2, 2024	0.27	3.84	150,000	-	150,000
May 17, 2024	0.245	3.91	200,000	-	200,000
June 17, 2024	0.245	3.97	300,000	-	300,000
December 4, 2024	0.09	4.43	250,000	-	250,000
May 6, 2025	0.09	4.85	2,875,000	-	2,875,000
		<b>3.69</b>	<b>7,450,000</b>	<b>250,000</b>	<b>7,200,000</b>

**ParcelPal Technology Inc.**

Notes to the Condensed Interim Financial Statements

For the Six Months Ended June 30, 2020 and 2019

(Unaudited - expressed in Canadian Dollars)

**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, 2018</b>	<b>13,877,917</b>	<b>0.20</b>
Issued	2,084,476	0.15
Exercised	(2,958,600)	0.11
Expired	(891,480)	0.08
<b>Balance, December 31, 2019</b>	<b>12,112,313</b>	<b>0.23</b>
Expired	(494,722)	0.20
<b>Balance, June 30, 2020</b>	<b>11,617,591</b>	<b>0.23</b>

Subsequent to June 30, 2020, 7,854,628 warrants with an exercise price of \$0.20 expired unexercised.

As of June 30, 2020, the following share purchase warrants were outstanding and exercisable:

<b>Expiry Date</b>	<b>Number Outstanding</b>	<b>Exercise Price \$</b>
July 31, 2020	7,854,628	0.20
October 17, 2020	1,471,967	0.50
December 1, 2020	206,520	0.20
November 22, 2021	2,084,476	0.15
	<b>11,617,591</b>	<b>0.23</b>

During the six months ended June 30, 2020 the Company extended the expiry date of 8,061,148 warrants from January 12, 2020 to July 31, 2020 and December 1, 2020.

**ParcelPal Technology Inc.**

Notes to the Condensed Interim Financial Statements

For the Six Months Ended June 30, 2020 and 2019

(Unaudited - expressed in Canadian Dollars)

**7. 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,	
	2020	2019	2020	2019
	\$	\$	\$	\$
Consulting fees	-	83,478	67,840	134,678
Management fees	54,000	45,000	54,000	120,000
Software development	-	-	28,272	-
Share-based compensation	96,000	-	96,000	-
	150,000	128,478	246,112	254,678

Included in accounts payable as at June 30, 2020 is \$80,610 (December 31, 2019 - \$64,047) owing to directors and officers. These amounts are non-interest bearing, unsecured and due on demand.

**8. 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.

There have been no changes in any risk management policies during the period ended June 30, 2020.

**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.

**ParcelPal Technology Inc.**

Notes to the Condensed Interim Financial Statements

For the Six Months Ended June 30, 2020 and 2019

(Unaudited - expressed in Canadian Dollars)

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 \$449,600 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 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 six months ended June 30, 2020.

**ParcelPal Technology Inc.**

Notes to the Condensed Interim Financial Statements

For the Six Months Ended June 30, 2020 and 2019

(Unaudited - expressed in Canadian Dollars)

**9. LEASE OBLIGATIONS**

	Minimum lease payments		Present value of minimum lease payments	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
	\$	\$	\$	\$
Less than one year	266,512	219,423	261,577	207,520
More than one year and less than 5 years	180,040	12,372	157,074	11,581
	446,552	231,795	418,651	219,101
Interest included in minimum lease payments	(27,901)	(12,694)		
Present value of minimum lease payments	418,651	219,101		
<b>Future minimum lease payments:</b>				
< 1 year	-	-	261,577	207,520
> 1 year < 5 years	-	-	157,074	11,581
> 5 years			-	-
<b>Total</b>			<b>418,651</b>	<b>219,101</b>

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.

**10. CONVERTIBLE PROMISSORY NOTE**

During the six months ended June 30, 2020, the Company issued two convertible promissory notes to fund its operations.

	Convertible Note 1	Convertible Note 2
Issuance date	14 April, 2020	29 June, 2020
Total face value of the note	US\$367,500	US\$210,000
Initial consideration received in cash	US\$250,000	US\$200,000
Initial original issue discount	US\$12,500	US\$10,000
Initial principal sum due	US\$262,500	-
Additional tranche consideration	US\$100,000	-
Additional tranche issue discount	5%	-
Shares issue by Company as an investment incentive	600,000	300,000

**ParcelPal Technology Inc.**

Notes to the Condensed Interim Financial Statements

For the Six Months Ended June 30, 2020 and 2019

(Unaudited - expressed in Canadian Dollars)

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**11. SUBSEQUENT EVENTS**

On July 22, 2020, the Company granted 500,000 options to consultants of the Company. The options have an exercise price of \$0.09 per option and have a 5 year life.

On August 13, 2020, the Company announced that, as part of its broader plan to expand operations, further diversify its customer base and execute on additional profitable business engagements, it has signed numerous new customer agreements over the prior month. These new agreements include customers in the flower delivery space (with two different companies), a small beverage company, a grocer, a pet supply store, and a nationwide meal delivery kit company (our second of this type since February 2020).

On August 20, 2020, the Company signed two larger volume customer agreements, which are in addition to the new customer agreements. The first such agreement expected to provide a minimum of 12,500 paid deliveries a year, with the higher end targeted range of approximately 35,000 paid deliveries per year. The second such agreement is expected to provide the Company with a baseline of 12,500 yearly deliveries and high-side targets of 36,000 deliveries per year within 12 months.