

PARCELPAL TECHNOLOGY INC.

CONDENSED INTERIM FINANCIAL STATEMENTS

(Unaudited - expressed in Canadian Dollars)

For the Nine Months Ended September 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 Financial Position

For the Three and Nine Months Ended September 30, 2020 and 2019

(Unaudited - expressed in Canadian Dollars)

| | Notes | September 30, 2020 \$ | December 31, 2019 \$ (Restated) |
|---------------------------------------------------|-------|-----------------------------|------------------------------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash | | 19,271 | 295,593 |
| Accounts receivable | 3 | 393,273 | 745,002 |
| Subscriptions receivable | 6 | 14,225 | 72,875 |
| Prepaid expenses | | 19,795 | 3,019 |
| Loan receivable | 4 | 5,266 | 1,874 |
| | | 451,830 | 1,118,363 |
| Right-of-use assets | 5 | 274,742 | 210,257 |
| Total assets | | 726,572 | 1,328,620 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | 7 | 916,101 | 589,257 |
| Convertible Note | 10 | 948,388 | - |
| Sales tax payable | | 231,165 | 102,597 |
| Lease obligations - current | 9 | 158,772 | 196,957 |
| | | 2,254,426 | 888,811 |
| Lease obligations | 9 | 132,993 | 5,841 |
| Total liabilities | | 2,387,419 | 894,652 |
| SHAREHOLDERS' (DEFICIT) EQUITY | | | |
| Share capital | 6 | 10,170,409 | 9,367,691 |
| Subscriptions received in advance | | 10,240 | 100,240 |
| Contributed surplus | | 3,030,794 | 3,020,617 |
| Deficit | | (14,872,290) | (12,054,580) |
| Total shareholders' (deficit) equity | | (1,660,847) | 433,968 |
| Total liabilities and shareholders' equity | | 726,572 | 1,328,620 |

Nature of operations and going concern (Note 1)

Commitments (Note 9)

Subsequent events (Note 11)

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 Nine Months Ended September 30, 2020 and 2019

(Unaudited - expressed in Canadian Dollars)

| | Notes | Three months ended September 30, | | Nine Months Ended September 30, | |
|-------------------------------------------------------------------|-------|-------------------------------------|--------------------------|------------------------------------|--------------------------|
| | | 2020 \$ | 2019 \$ (Restated) | 2020 \$ | 2019 \$ (Restated) |
| SALES | 3 | 1,466,528 | 1,299,275 | 4,012,441 | 2,841,162 |
| COST OF SALES | | (1,427,432) | (965,816) | (3,910,809) | (2,520,245) |
| GROSS PROFIT | | 39,096 | 333,463 | 101,632 | 320,917 |
| EXPENSES | | | | | |
| Amortization | 5 | - | 1,100 | - | 19,100 |
| Consulting fees | 7 | 39,295 | 114,761 | 446,372 | 567,798 |
| Foreign exchange | | (19,840) | (64) | (18,461) | 7,897 |
| Interest expense | | 27,242 | 6,712 | 43,940 | 24,870 |
| Marketing and promotion | | 19,655 | 270,876 | 60,850 | 1,494,151 |
| Management and director fees | 7 | 223,542 | 82,800 | 277,542 | 202,800 |
| Office and miscellaneous | | 369,831 | 261,626 | 942,269 | 731,197 |
| Professional fees | | 159,976 | 23,634 | 231,192 | 77,630 |
| Regulatory and filing fees | | 502 | 5,754 | 30,598 | 22,779 |
| Salaries | | 265,624 | 124,436 | 687,624 | 295,334 |
| Share-based compensation | 6 | 34,827 | 152,895 | 192,514 | 796,884 |
| Travel and accommodation | | 13,846 | 10,660 | 24,902 | 46,254 |
| | | (1,134,500) | (1,055,190) | (2,919,342) | (4,286,694) |
| Loss before other items | | (1,095,404) | (721,727) | (2,817,710) | (3,965,777) |
| Other items: | | | | | |
| Debt settlement | | - | (5,442) | - | 10,415 |
| Interest income | | - | (2,944) | - | (5,902) |
| | | - | (8,386) | - | 4,513 |
| Loss and comprehensive loss for the period | | (1,095,404) | (713,241) | (2,817,710) | (3,970,290) |
| Basic and diluted loss per share | | (0.01) | (0.01) | (0.03) | (0.05) |
| Weighted average number of shares outstanding – basic and diluted | | 93,850,887 | 81,737,248 | 90,598,903 | 79,538,879 |

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, 2020 and 2019
(Unaudited - expressed in Canadian Dollars)

| | Number of shares | Amount \$ | Contributed Surplus \$ | Subscriptions receivable \$ | Subscriptions received in advance \$ | Deficit (Restated) \$ | Total (Restated) \$ |
|-------------------------------------------|---------------------|-------------------|------------------------------|-----------------------------------|-----------------------------------------------|-----------------------------|---------------------------|
| Balance, December 31, 2018 | 76,434,953 | 7,693,401 | 2,462,746 | (345,140) | - | (7,444,068) | 2,366,939 |
| 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 | - | - | - | - | - | (3,970,290) | (3,970,290) |
| Balance, September 30, 2019 | 82,418,600 | 8,949,675 | 3,070,160 | (125,414) | - | (11,414,358) | 480,063 |
| Balance, December 31, 2019 | 86,944,353 | 9,367,691 | 3,020,617 | - | 100,240 | (12,054,580) | 433,968 |
| Shares issued pursuant to: | | | | | | | |
| Option exercises | 1,000,000 | 162,218 | (72,218) | - | (90,000) | - | - |
| Convertible note | 1,633,333 | 162,500 | (110,119) | - | - | - | 52,391 |
| Debt settlement | 416,667 | 50,000 | - | - | - | - | 50,000 |
| In lieu of consulting fees | 4,875,556 | 428,000 | - | - | - | - | 428,800 |
| Share-based compensation | - | - | 192,514 | - | - | - | 192,514 |
| Net and comprehensive loss for the period | - | - | - | - | - | (2,817,710) | (2,817,710) |
| Balance, September 30, 2020 | 94,869,909 | 10,170,409 | 3,030,794 | - | 10,240 | (14,872,290) | (1,660,847) |

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, 2020 and 2019

(Unaudited - expressed in Canadian Dollars)

| | 2020 \$ | 2019 \$ (Restated) |
|-------------------------------------------------|-------------|--------------------------|
| Operating activities | | |
| Loss for the period | (2,817,710) | (3,970,290) |
| Add non-cash items: | | |
| Amortization | 290,925 | 280,634 |
| Share-based compensation | 192,514 | 796,884 |
| Accrued interest | 18,489 | (5,785) |
| Shares issued in lieu of consulting fees | 428,000 | 364,600 |
| Loss on debt settlement | - | 10,415 |
| Changes in non-cash working capital items | | |
| Sales tax payable | 128,568 | (87,283) |
| Prepaid expenses | (16,776) | (8,443) |
| Accounts receivable | 351,729 | (96,215) |
| Accounts payable and accrued liabilities | 373,452 | 216,732 |
| Net cash flows used in operating activities | (1,050,809) | (2,498,751) |
| Financing activities | | |
| Convertible note | 982,280 | - |
| Exercise of options | - | 224,750 |
| Exercise of warrants | - | 332,040 |
| Lease payments | (266,443) | (227,521) |
| Advances of loans receivable | - | (21,000) |
| Subscriptions received | 58,650 | 219,726 |
| Net cash flows provided by financing activities | 774,487 | 527,995 |
| Change in cash during the period | (276,322) | (1,970,756) |
| Cash – beginning of the period | 295,593 | 2,079,986 |
| Cash – end of the period | 19,271 | 109,230 |
| Supplemental cash flow information: | | |
| Income taxes paid | - | - |
| Interest paid | 25,451 | 18,158 |

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 Nine Months Ended September 30, 2020 and 2019
(Unaudited - 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”, on the OTCQB (over-the-counter) Market in the United States under the symbol PTNYF 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 November 30, 2020.

Restatement of previously reported financial statements

The Company has determined that its initial application of IFRS 16 Leases was incorrect and resulted in a material misstatement. The Company previously discounted lease payments using the interest rate implicit in the lease to determine the lease liabilities and right-of-use assets. In determining the present value of the lease payments the Company also included non-refundable sales tax as part of the lease payments and residual value

ParcelPal Technology Inc.

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

guarantees. The Company has determined this was not the appropriate method to determine the present value of the lease payments and has therefore revalued its lease liabilities and right-of-use assets using the Company's discount rate at the time of the lease and has excluded sales tax from the present value calculation and residual value guarantees based on an expected value of the right-of-use assets. The Company has used an incremental borrowing rate with a range of 6.88% to 9.75% and an average rate of 8.29% to calculate the present value of the lease payments. The change in measurement has resulted in changes to the right-of-use asset balances at initial measurement, the lease liability balances at initial measurement and depreciation and interest amounts over the fiscal periods being restated.

In addition to the re-measurement of the lease liabilities and right-of-use assets the Company determined that the amortization expense related to the vehicle leases should be included as cost of sales and not as an operating expense.

The following table summarizes the effect of the adjustment described above on the Company's statement of financial position:

As at December 31, 2019

| | Previously reported \$ | Adjustment \$ | Restated \$ |
|-----------------------------|---------------------------------------|--------------------------|------------------------|
| Right-of-use asset | 182,730 | 27,527 | 210,257 |
| Total assets | 1,301,093 | 27,527 | 1,328,620 |
| Lease obligations - current | 207,520 | (10,563) | 196,957 |
| Lease obligations | 11,581 | (5,740) | 5,841 |
| Total liabilities | 910,955 | (16,303) | 894,652 |
| Deficit | (12,098,410) | 43,830 | (12,054,580) |
| Total shareholders' equity | 390,138 | 43,830 | 433,968 |

ParcelPal Technology Inc.

Notes to the Condensed Interim Financial Statements
For the Nine Months Ended September 30, 2020 and 2019
(Unaudited - expressed in Canadian Dollars)

The following table summarizes the effect of the adjustment described above on the Company's statement of loss and comprehensive loss:

For the nine months ended September 30, 2019

| | Previously reported \$ | Adjustment \$ | Restated \$ |
|--------------------------|------------------------------|------------------|----------------|
| Cost of Sales | (2,258,711) | (261,534) | (2,520,245) |
| Gross margin | 582,451 | (261,534) | 320,917 |
| Amortization | 368,779 | (349,679) | 19,100 |
| Interest | 95,368 | (70,498) | 24,870 |
| Office and miscellaneous | 713,067 | 18,130 | 731,197 |
| Operating expense | 4,688,741 | (402,047) | 4,286,694 |
| Net loss | (4,110,803) | 140,513 | (3,970,290) |

For the three months ended September 30, 2019

| | Previously reported \$ | Adjustment \$ | Restated \$ |
|--------------------------|------------------------------|------------------|----------------|
| Cost of Sales | (877,676) | (88,136) | (965,812) |
| Gross margin | 421,599 | (88,136) | 333,463 |
| Amortization | 118,940 | (117,840) | 1,100 |
| Interest | 29,936 | (23,224) | 6,712 |
| Office and miscellaneous | 255,273 | 6,353 | 261,626 |
| Operating expenses | 1,189,901 | (134,711) | 1,055,190 |
| Net Loss | (759,916) | 46,575 | (713,341) |

ParcelPal Technology Inc.

Notes to the Condensed Interim Financial Statements
 For the Nine Months Ended September 30, 2020 and 2019
 (Unaudited - expressed in Canadian Dollars)

The following table summarizes the effect of the adjustment described above on the Company's statement of cash flows:

| For the nine months ended September 30, 2019 | | | |
|-----------------------------------------------------|--------------------------------|-------------------|-----------------|
| | Previously reported | Adjustment | Restated |
| | \$ | \$ | \$ |
| Loss for the period | (4,110,803) | 140,513 | (3,970,290) |
| Amortization | 368,779 | (88,145) | 280,634 |
| Net cash flows used in operating activities | (2,551,119) | 52,368 | (2,498,751) |
| Payment of lease obligation | (175,153) | 12,574 | (227,521) |
| Net cash flows provided by financing activities | 580,363 | 12,574 | 527,995 |

3. ACCOUNTS RECEIVABLE

| | September 30, 2020 | December 31, 2019 |
|---------------------|---------------------------|--------------------------|
| | \$ | \$ |
| Accounts receivable | 393,273 | 745,002 |

As at September 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 September 30, 2020 (2019 – 97% of accounts receivable) and 96% (2019 – 100%) of total revenues during the three months ended September 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 September 30, 2020 \$5,266 remains outstanding.

ParcelPal Technology Inc.

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

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 September 30, 2020 and December 31, 2019 are as follows:

| | Vehicles |
|-------------------------------------|------------------|
| | \$ |
| Cost | |
| Balance, December 31, 2018 and 2019 | 894,046 |
| Additions | 358,423 |
| Disposal | (3,013) |
| Balance, September 30, 2020 | 1,249,456 |
| Accumulated amortization | |
| Balance, December 31, 2018 | 334,121 |
| Amortization | 349,668 |
| Balance, December 31, 2019 | 683,789 |
| Amortization | 290,925 |
| Balance, September 30, 2020 | 974,714 |
| Net Book Value | |
| Balance, December 31, 2019 | 210,257 |
| Balance, September 30, 2020 | 274,742 |

During the nine months ended September 30, 2020 the Company included \$290,925 (2019 - \$261,534) of amortization in cost of sales. During the nine months ended September 30, 2020 the Company transferred a vehicle lease to a former employee and wrote off the lease obligation and right-of-use asset.

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 September 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 commons 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

ParcelPal Technology Inc.

Notes to the Condensed Interim Financial Statements

For the Nine Months Ended September 30, 2020 and 2019

(Unaudited - expressed in Canadian Dollars)

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- 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.
 - j. On July 3, 2020, the Company issued 1,000,000 common shares fair valued at \$95,000 for management fees.
 - k. On July 15, 2020, the Company issued 500,000 common shares fair valued at \$47,500 for management fees.
 - l. On August 27, 2020 the Company issued 583,333 common shares to settle \$35,000 USD of convertible debt
 - m. On September 15, 2020 the Company issued 500,000 common shares fair valued at \$40,000 for management fees
 - n. On September 29, 2020, the Company issued 150,000 incentive shares valued at \$11,250 pursuant to the issuance of an additional convertible note.

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 Nine Months Ended September 30, 2020 and 2019
 (Unaudited - expressed in Canadian Dollars)

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

| | Number of Options # | Weighted Average Exercise Price \$ |
|------------------------------------------|------------------------------------|---------------------------------------------------|
| 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 |
| Granted | 3,987,222 | 0.10 |
| Exercised | (1,000,000) | 0.09 |
| Expired | (200,000) | 0.17 |
| Forfeited | (5,661,222) | 0.20 |
| Balance, September 30, 2020 | 7,700,000 | 0.17 |
| Unvested | (250,000) | 0.14 |
| Exercisable at September 30, 2020 | 7,450,000 | 0.17 |

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 were fair valued at \$14,251.

On July 22, 2020 the Company granted 500,000 options to consultants of the Company, the options have an exercise price of \$0.09 and expire on July 22, 2025. The options vested immediately and were fair valued at \$34,827 using the Black-Scholes option pricing model.

ParcelPal Technology Inc.

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

During the nine months ended September 30, 2020, the Company recorded share-based payments expense of \$192,514 (2019 - \$796,884) 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:

| | September 30, 2020 | December 31 2019 |
|------------------------------------------------|-----------------------|---------------------|
| 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 September 30, 2020 the following options were outstanding and exercisable:

| Expiry Date | Exercise price \$ | Remaining life (years) | Options outstanding | Unvested | Vested |
|-------------------|----------------------|---------------------------|------------------------|----------------|------------------|
| November 17, 2022 | 0.16 | 2.13 | 150,000 | - | 150,000 |
| November 28, 2022 | 0.18 | 2.16 | 550,000 | - | 550,000 |
| January 21, 2023 | 0.32 | 2.31 | 450,000 | - | 450,000 |
| January 31, 2023 | 0.14 | 2.34 | 250,000 | 250,000 | - |
| May 1, 2023 | 0.24 | 2.58 | 500,000 | - | 500,000 |
| June 28, 2023 | 0.20 | 2.74 | 25,000 | - | 25,000 |
| August 15, 2023 | 0.21 | 2.87 | 400,000 | - | 400,000 |
| August 31, 2023 | 0.27 | 2.92 | 450,000 | - | 450,000 |
| November 22, 2023 | 0.26 | 3.15 | 150,000 | - | 150,000 |
| December 13, 2023 | 0.25 | 3.20 | 750,000 | - | 750,000 |
| May 2, 2024 | 0.27 | 3.59 | 150,000 | - | 150,000 |
| May 17, 2024 | 0.245 | 3.66 | 200,000 | - | 200,000 |
| June 17, 2024 | 0.245 | 3.72 | 300,000 | - | 300,000 |
| May 6, 2025 | 0.09 | 4.30 | 2,875,000 | - | 2,875,000 |
| July 22, 2025 | 0.09 | 4.81 | 500,000 | - | 500,000 |
| | | 3.66 | 7,700,000 | 250,000 | 7,450,000 |

ParcelPal Technology Inc.

Notes to the Condensed Interim Financial Statements
 For the Nine Months Ended September 30, 2020 and 2019
 (Unaudited - expressed in Canadian Dollars)

Warrants

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

| | Number of Options # | Weighted Average Exercise Price \$ |
|------------------------------------|---------------------------|------------------------------------------|
| Balance, December 31, 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 |
| Expired | (8,349,350) | 0.20 |
| Balance, September 30, 2020 | 3,762,963 | 0.29 |

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

| Expiry Date | Number Outstanding | Exercise Price \$ |
|-------------------|-----------------------|----------------------|
| October 17, 2020 | 1,471,967 | 0.50 |
| December 1, 2020 | 206,520 | 0.20 |
| November 22, 2021 | 2,084,476 | 0.15 |
| | 3,762,963 | 0.29 |

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 September 30, | | Nine months ended September 30, | |
|--------------------------|-------------------------------------|----------------|------------------------------------|----------------|
| | 2020 | 2019 | 2020 | 2019 |
| | \$ | \$ | \$ | \$ |
| Consulting fees | - | 48,881 | 67,840 | 183,559 |
| Management fees | 223,542 | 82,000 | 277,542 | 202,800 |
| Software development | - | - | 28,272 | - |
| Share-based compensation | - | - | 96,000 | - |
| | 223,542 | 131,681 | 469,654 | 386,359 |

Included in accounts payable as at September 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.

ParcelPal Technology Inc.

Notes to the Condensed Interim Financial Statements
For the Nine Months Ended September 30, 2020 and 2019
(Unaudited - expressed in Canadian Dollars)

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 September 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.

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 \$383,510 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.

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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 nine months ended September 30, 2020.

9. LEASE OBLIGATIONS

During the year ended December 31, 2017 the Company entered into multiple 36-month vehicle lease agreements, the Company present valued the lease payment using its incremental borrowing rate ranging from 9.48% to 9.72%. The Company recorded lease liabilities of \$412,525. During the year ended December 31, 2018 the Company entered into additional vehicle lease agreements ranging from 24-36 months in term. The Company present valued the lease payments using incremental borrowing rates ranging from 6.88% to 9.75% and recorded initial lease obligations of \$349,286. During the nine months ended September 30, 2020 the Company entered into additional vehicle lease agreements ranging in term from 12-48 months in term. The Company present valued the lease payments using its incremental borrowing rate of 1.31% and recorded a lease obligation of \$353,687.

The Company's future minimum lease payments under the lease obligations as at September 30, 2020 and December 31 2019 are as follows:

| | September 30, 2020 | December 31, 2019 |
|------------------------------------------|---------------------------|--------------------------|
| | \$ | \$ |
| Less than 1 year | 178,196 | 204,323 |
| 1-5 years | 151,092 | 6,013 |
| 5 + years | - | - |
| Total minimum lease payments | 329,288 | 210,336 |
| Less: Imputed Interest | (37,523) | (7,538) |
| Total lease obligations | 291,765 | 202,798 |
| Current portion of lease obligations | (158,772) | (196,957) |
| Non-current portion of lease obligations | 132,993 | 5,841 |

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10. CONVERTIBLE PROMISSORY NOTE

On April 14, 2020 the Company issued a convertible note for US\$367,500, the Company received US\$350,000 as there was \$17,500 in original issue discounts. The Company also issued 600,000 incentive common shares fair valued at \$60,000. The note expires on December 1, 2020 and accrues interest at 10% per annum.

On June 29, 2020 the Company issued a second convertible note for US\$210,000, the Company received US\$200,000 as there was a US\$10,000 original issue discount. The Company also issued 300,000 incentive common shares fair valued at \$30,000. The Note expires on January 15, 2021 and accrues interest at 5% per annum.

On September 29, 2020 the Company issued a third convertible note with a face value of US\$525,000 (“September Note”) and there was a US\$25,000 original issue discount. Under the terms of the September Note, US\$150,000 was advanced to the Company at closing, and the Company issued 150,000 incentive common shares fair valued at \$11,250. The note accrues interest at 5% per annum and expires on March 29, 2021.

During the nine months ended September 30, 2020 the Company recorded \$18,489 of interest expense.