PARCELPAL LOGISTICS INC.

CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

For the Years Ended December 31, 2022 and 2021

Report of Independent Registered Public Accounting Firm

To the shareholders and the board of directors of ParcelPal Logistics Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial position of ParcelPal Logistics Inc. (the "Company"), as of December 31, 2022 and 2021, the related statements of comprehensive loss, changes in shareholders' equity (deficit) and cash flows for the years then ended, and related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years ended December 31, 2022 and 2021, in conformity with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

Substantial Doubt about the Company's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company's significant operating losses raise substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

/S/ BF Borgers CPA PC (PCAOB ID 5041)
We have served as Auditor since 2021
Lakewood, CO
May 15, 2023

PARCELPAL LOGISTICS INC.

CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

For the Years Ended December 31, 2022 and 2021

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

	Notes	December 31, 2022 $	December 31, 2021 $
ASSETS			
Current assets			
Cash		76,661	551,961
Accounts receivable	5	237,506	202,050
Prepaid expenses		31,858	149,834
		346,025	903,845
Customer contract	3,4,7	3,707,137	3,933,128
Vehicles and Right-of-use assets	6	507,669	652,353
Total assets		4,560,831	5,489,326
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	9	2,027,939	833,262
Purchase obligation	3,4	1,616,704	660,972
Convertible Note	14	1,536,139	2,429,227
Derivative liability	14	-	206,726
Sales tax payable		682,200	521,616
Short-term loan payable	8	396,201	66,588
Lease obligations - current	13	58,012	158,409
		6,317,195	4,876,800
Lease obligations	13	10,320	404,921
Total liabilities		6,327,515	5,281,721
SHAREHOLDERS' (DEFICIT) EQUITY			
Share capital	9	18,928,057	17,622,777
Contributed surplus		3,664,546	3,620,300
Accumulated other comprehensive income		197,980	(4,202)
Deficit		(24,557,267)	(21,031,270)
Total shareholders' (deficit) equity		(1,766,684)	207,605
Total liabilities and shareholders' (deficit) equity		4,560,831	5,489,326

Nature of operations and going concern (Note 1)
Commitments (Note 11)

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

ParcelPal Logistics Inc.
Consolidated Statements of Loss and Comprehensive Loss
For the Years Ended December 31, 2022 and 2021
(Expressed in Canadian Dollars)

	Notes	2022 $	2021 $	2020 $
SALES		11,242,660	7,521,952	6,317,329
COST OF SALES	15	(9,238,485)	(6,253,436)	(5,947,895)
GROSS PROFIT		2,004,175	1,268,516	369,434
EXPENSES				
Amortization of intangible assets	7	1,126,818	-	-
Bad debt expense	4	-	59,307	-
Consulting fees		391,763	117,054	656,405
Foreign exchange		211,512	31,454	(61,236)
Marketing and promotion		181,905	78,804	29,146
Management and director fees	10	714,346	1,808,250	305,158
Office and miscellaneous		1,509,729	964,282	1,155,805
Professional fees		407,984	389,817	655,378
Regulatory and filing fees		145,437	106,758	78,945
Salaries	10	868,783	546,852	533,193
Share-based compensation	9	44,246	263,672	473,103
Travel and accommodation		187,373	119,692	31,692
		(5,789,896)	(4,485,942)	(3,857,589)
Loss before other items		(3,785,721)	(3,217,426)	(3,488,155)
Other expenses:				
Other income		4,656	-	-
Debt Settlement	14	273,247	-	(191,773)
Derivative liability	14	206,726	(144,952)	(866,238)
Interest expense	13, 14	(491,806)	(754,827)	(323,931)
Gain (loss) on disposal of asset	6	266,901	-	-
Write-off of asset		-	14,597	(3,985)
		259,724	(885,182)	(1,385,927)
Net loss for the year		**(3,525,997)**	**(4,102,608)**	**(4,874,082)**
Foreign currency translation adjustment		202,182	(4,202)	-
Comprehensive loss for the year		**(3,323,815)**	**(4,106,810)**	**(4,874,082)**
Basic and diluted loss per share		(0.02)	(0.03)	(0.05)
Weighted average number of shares outstanding – basic and diluted		184,408,449	152,119,211	91,147,886

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

ParcelPal Logistics Inc.
Consolidated Statements of Changes in Shareholders' Equity
For the Years Ended December 31, 2022, 2021 and 2020
(Expressed in Canadian Dollars)

	Number of shares	Amount $	Contributed Surplus $	Subscriptions received in advance $	Deficit $	AOCI $	Total $
Balance, December 31, 2019	**86,944,353**	**9,367,691**	**3,020,617**	**100,240**	**(12,054,580)**	**-**	**433,968**
Option exercises	2,000,000	310,127	(130,127)	(90,000)	-	-	90,000
Warrant exercises	200,000	30,000	-	-	-	-	30,000
Convertible note	6,154,897	756,919	-	-	-	-	756,919
Debt settlement	2,786,667	434,000	-	-	-	-	434,000
In lieu of consulting fees	4,868,056	510,000	-	-	-	-	510,000
Write-off subscription receivable	-	-	-	(10,240)	-	-	(10,240)
Share-based compensation	-	-	473,103	-	-	-	473,103
Net and comprehensive loss for the year	-	-	-	-	(4,874,082)	-	(4,874,082)
Balance, December 31, 2020	**102,953,973**	**11,408,737**	**3,363,593**	**-**	**(16,928,662)**	**-**	**(2,156,332)**
Shares issued pursuant to:							
Convertible note	24,516,649	2,966,838	-	-	-	-	2,966,838
In lieu of consulting fees	13,833,333	1,521,667	-	-	-	-	1,521,667
Acquisition of Web-to-door	13,777,778	1,611,020	-	-	-	-	1,611,020
Warrant exercises	657,000	98,550	-	-	-	-	98,550
Option exercises	100,000	15,965	(6,965)	-	-	-	9,000
Share-based compensation	-	-	263,672	-	-	-	263,672
Net and comprehensive loss for the year	-	-	-	-	(4,102,608)	(4,202)	(4,106,810)
Balance, December 31, 2021	**155,838,733**	**17,622,777**	**3,620,300**	**-**	**(21,031,270)**	**(4,202)**	**207,605**
Shares issued pursuant to:							
Convertible note	25,312,500	1,000,813	-	-	-	-	1,000,813
In lieu of consulting fees	1,250,000	35,000	-	-	-	-	35,000
Acquisition of customer contract	13,473,358	269,467	-	-	-	-	269,467
Share-based compensation	-	-	44,246	-	-	-	44,246
Net and comprehensive loss for the year	-	-	-	-	(3,525,997)	202,182	(3,323,815)
Balance, December 31, 2022	**196,374,591**	**18,928,057**	**3,664,546**	**-**	**(24,557,267)**	**197,980**	**(1,766,684)**

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

ParcelPal Logistics Inc.
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2022, 2021 and 2020
(Expressed in Canadian Dollars)

	2022 $	2021 $	2020 $
Operating activities			
Loss for the year	(3,525,997)	(4,102,608)	(4,874,082)
Add non-cash items:			
Amortization	1,310,888	346,532	388,859
Share-based compensation	44,246	263,672	473,103
Accrued interest	322,935	753,555	323,931
Shares issued in lieu of consulting fees	35,000	1,521,667	510,000
(Gain) / Loss on debt settlement	(273,247)	-	191,773
Unrealized foreign exchange loss (gain)	91,697	27,761	(63,704)
Impairment of asset	-	1,874	3,985
Fair value of derivative	(206,726)	144,952	866,238
Gain on disposal of asset	(266,901)	-	-
Changes in non-cash working capital items			
Sales tax payable	160,584	222,524	198,306
Prepaid expenses	117,976	(141,432)	(31,325)
Accounts receivable	(35,456)	161,603	381,349
Accounts payable and accrued liabilities	1,181,654	(276,888)	704,438
Net cash flows used in operating activities	(1,043,347)	(1,076,788)	(927,129)
Investing activity			
Cash acquired on business combination	-	149,386	-
Sale of vehicles	410,500	42,798	-
Acquisition of Trucking	-	(1,697,813)	-
Purchase of vehicles	(37,150)	(61,836)	(112,034)
Net cash flows provided (used) by investing activity	373,350	(1,567,465)	(112,034)
Financing activities			
Loan repayments	(274,631)	(27,769)	(26,416)
Loan proceeds	677,200	-	-
Convertible note	-	3,115,822	1,192,699
Exercise of options	-	9,000	90,000
Exercise of warrants	-	98,550	30,000
Lease payments	(185,722)	(287,532)	(345,695)
Subscriptions received	-	-	58,650
Net cash flows provided (used) by financing activities	216,847	2,908,071	999,238
Foreign exchange on cash	(22,150)	32,475	-
Change in cash during the year	(475,300)	296,293	(39,925)
Cash – beginning of the year	551,961	255,668	295,593
Cash – end of the year	76,661	551,961	255,668
Supplemental cash flow information:			
Income taxes paid	-	-	-
Interest paid	491,806	25,598	28,671
Non-Cash Items:			
Shares issued pursuant to asset acquisition	269,467	1,611,020	-
Shares issued for convertible note settlement	1,000,813	2,966,838	-

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

1. NATURE OF OPERATIONS AND GOING CONCERN

ParcelPal Logistics Inc. (*formerly ParcelPal Technology Inc.*) ("the Company" or "ParcelPal") is a Vancouver, British Columbia based company that specializes in last-mile delivery service and logistics solutions, providing businesses with a smart, reliable and affordable delivery service powered by the Company's licensed technology platform. The Company operates in major Canadian cities including Vancouver, Calgary, and Toronto, and now in the western region of the United States. 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 "PT0A".

On September 15, 2021, the Company purchased 95% of the outstanding shares of Web to Door Trucking Corp. ("Trucking"), a United States delivery service company incorporated in Nevada. The acquisition of Trucking is being accounted for as a business combination under IFRS 3 as operations of Trucking meet the definition of a business (the "Trucking Acquisition") (Note 3).

These consolidated 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 consolidated 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 March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and condition of the Company in future periods, including the possible impact on future financing opportunities.

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 April xx, 2023.

Basis of measurement
These consolidated 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.

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
Convertible note	Amortized Cost
Derivative liability	FVTPL
Short term loan	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.

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.

Convertible Debentures
Convertible debentures are compound financial instruments whose components may be allocated between a financial liability component and an equity instrument component. The identification of such components embedded within a convertible debenture requires significant judgement given that it is based on the interpretation of the substance of the contractual arrangement. Where the conversion option is fixed, the financial liability, represents the discounted obligation to repay the cash component and is initially measured at fair value and subsequently measured at amortized cost. The residual amount is recognized in equity. Where the conversion option is variable, the derivative liability is measured first and carried at fair value and the residual balance represents the financial liability measured at amortized cost. Transaction costs are apportioned to the debt liability and equity components in proportion to the allocation of proceeds.

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 Logistics Inc.
Notes to the Consolidated Financial Statements
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(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.

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 and the functional currency of Trucking is USD.

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.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Company's USD operations are translated into CAD at the exchange rate at the reporting date. The income and expenses are translated using average rate. Foreign currency differences that arise on translation for consolidation purposes are recognized in other 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.

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.

Purchased vehicles are recorded at cost and amortized over the estimated useful life of 2 years for previously used vehicles.

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, 2022.

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.

Valuation of equity units issues 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.

Basis of Consolidation

The consolidated financial statements include the financial statements of the Company, its 95% owned subsidiary Web-to-door Trucking (2021 – 95%) and its wholly-owned subsidiary ParcelPal Logistics USA, Inc. ("ParcelPal USA").

Business combination
Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Company, liabilities incurred by the Company to the former owners of the acquiree and the equity interests issued by the Company in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date. Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Company in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, Financial Instruments: Recognition and Measurement or IAS 37, Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

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.

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.

The acquisition of Web-to-Door Trucking was accounted for as a business combination at fair value in accordance with IFRS 3, *Business Combinations.* The acquired assets and assumed liabilities were adjusted to their fair values assigned through completion of a preliminary purchase price allocation. The purchase price allocation process resulting from a business combination requires management to estimate the fair value of identifiable assets acquired including intangible assets and liabilities assumed. The Company uses valuation techniques which are generally based on forecasted future net cash flows discounted to present value, and also relies on work performed by third-party valuation specialists. These valuations are closely linked to the assumptions used by management on the future performance of the related assets.

(Expressed in Canadian Dollars)

3. TRUCKING ACQUISITION

On September 15, 2021, the Company acquired 95% of the issued and outstanding shares of Trucking for a purchase price of USD $3,100,000, consisting of 60% cash and 40% payable in restricted shares of ParcelPal's common stock. The cash portion of the purchase price will be paid in three tranches, beginning on the closing date of the transaction. The 5% minority shareholding is not eligible for any share of the Company's profits or net loss, there is no allocation of value to non-controlling interest.

Concurrently with the acquisition, the Company completed a non-brokered private placement (the "Offering"), pursuant to which it issued an unsecured multi-tranche convertible note with a face value of up to US$2,300,000 (the "Consideration") to an arm's length investor (the "Note"). Each of the first three funded tranches will carry a 5% Original Issue Discount (or "OID") (Note 11).

Each tranche to be funded as follows:

- USD $700,000 on closing (paid)
- USD $640,000 will be advanced 45 days from the closing date (paid)
- USD $520,000 will be advanced 90 days from the closing date (Payable)
- USD $325,000 will be advanced upon mutual agreement by the Company and noteholder at 120 days from the closing date, together with the prorated 5% OID (Payable)

The transaction was accounted for as a business combination, as the operations of Trucking meet the definition of a business. As the transaction was accounted for as a business combination, transaction costs were expensed.

The fair value of the consideration transferred has been determined on a preliminary basis. The consideration has been allocated to the assets acquired and liabilities assumed on a preliminary basis based on their estimated fair values at the date of acquisition. The Company has allocated goodwill to customer contracts on a preliminary basis but will require additional information to allocate the fair values to the net assets acquired. The determination of the fair value of the net assets acquired will be revised by the Company as additional information is received.

The allocation of the purchase price as follows:

Purchase price consideration	**US $**
Consideration – cash	1,860,000
Consideration – shares	1,240,000
Fair value of consideration	**3,100,000**
Cash	117,321
Prepaid expenses	20,440
Loans payable	(52,042)
Accounts payable and accrued liabilities	(59,657)
Customer contract	3,073,938
Total net assets acquired and liabilities assumed	**3,100,000**

Upon completing the acquisition of Trucking on September 15, 2021, the operating results for Trucking have been recognized in the consolidated statements of loss and comprehensive loss.

As at December 31, 2022, the Company's purchase obligation outstanding is $704,288 (2021 - $660,972).

(Expressed in Canadian Dollars)

4. ASSET ACQUISITION

On June 1, 2022, the Company entered into an asset purchase agreement (the "Asset Acquisition") with Delta Express Delivery, Inc. ("Delta") whereby the Company, through ParcelPal USA, acquired a customer contract between Delta and FedEx Ground Package System, Inc. ("FedEx") (the "FedEx Contract") making ParcelPal USA an independent service provider for FedEx. In addition to the FedEx Contract, the Company also acquired 12 delivery vehicles from Delta. The acquisition of the FedEx Contract and the vehicles was treated as an asset acquisition. The Company issued 13,473,358 common shares, fair valued at $269,467 (US $209,107) and will make two payments of US $336,834 by November 1, 2022, as at December 31, 2022 the amount was still outstanding. The allocation of the purchase price is as follows:

Purchase price consideration	**$**
Consideration – cash	868,129
Consideration – shares	269,467
Fair value of consideration	**1,137,596**
Vehicles	452,343
Customer contract	685,253
Total net assets acquired	**1,137,596**

On completion of the Asset Acquisition the Company, through ParcelPal USA, began generating revenue from the FedEx Contract and as at December 31, 2022 the Company had generated $1,141,965 in revenue from the FedEx Contract.

As at December 31, 2022, the Company's purchase obligation outstanding is $912,416 (2021 - $nil).

5. ACCOUNTS RECEIVABLE

	December 31, 2022 **$**	**December 31, 2021** **$**
Accounts receivable	**237,506**	**202,050**

As at December 31, 2022, 32% (December 31, 2021 – 60%) of the Company's accounts receivable are current, and the Company recorded $nil (December 31, 2021 - $59,307) of bad debt expense related to certain customer accounts.

One customer accounted for 32% of accounts receivable at December 31, 2022 (2021 – 55% of accounts receivable) and 89% (2021 – 97%) of total revenues during the year ended December 31, 2022.

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6. VEHICLES AND RIGHT-OF-USE ASSETS

Right-of-use assets consists of leased vehicles and a leased warehouse carried at cost less accumulated depreciation. The Company's vehicles as at December 31, 2022 and December 31, 2021 are as follows:

	Vehicles $	ROU Assets $	Total $
Cost			
Balance, December 31, 2020	**166,501**	**370,793**	**537,294**
Additions	58,352	619,678	678,030
Disposal	(26,108)	(150,772)	(176,880)
Balance, December 31, 2021	**198,745**	**839,699**	**1,038,444**
Additions	452,323	-	452,323
Disposal	(198,745)	(633,671)	(832,416)
Foreign exchange	23,097	-	23,097
Balance, December 31, 2022	**475,420**	**206,028**	**681,448**
Accumulated amortization			
Balance, December 31, 2020	**16,559**	**177,036**	**193,595**
Amortization	79,922	266,610	346,532
Disposal	(3,264)	(150,772)	(154,036)
Balance, December 31, 2021	**93,217**	**292,874**	**386,091**
Amortization	25,817	158,253	184,070
Disposal	(93,217)	(303,759)	(396,976)
Foreign exchange	594	-	594
Balance, December 31, 2022	**26,411**	**147,368**	**173,779**
Balance, December 31, 2021	**105,528**	**546,825**	**652,353**
Balance, December 31, 2022	**449,009**	**58,660**	**507,669**

During the year ended December 31, 2022, the Company included $184,070 (2021 - $346,532) of amortization in cost of sales.

During year ended December 31, 2022, the Company purchased 14 previously leased vehicles for $37,150. The Company also sold 33 vehicles for gross proceeds of $410,000. The vehicles had a net book value of $128,313 and the Company recorded a gain on sale of $266,901. The Company also wrote off 4 vehicles which were valued at $14,786.

(Expressed in Canadian Dollars)

7. CUSTOMER CONTRACTS

Upon completion of the acquisition of Trucking and the Asset Acquisition, the Company acquired customer contracts. The customer contracts are amortized using the straight-line method over the useful life of 5 years.

The change in customer contract during the year ended December 31, 2022, is as follows:

	$
Balance, December 31, 2020	**-**
Additions	3,901,442
Foreign exchange	31,686
Balance, December 31, 2021	**3,933,128**
Additions	685,253
Amortization	(1,126,818)
Foreign exchange	215,573
Balance, December 31, 2022	**3,707,137**

8. LOAN PAYABLE

On July 25, 2022, the Company received a short-term loan for US$400,000 due on May 25, 2023. Per the terms of the loan the Company is required to make 40 payments of US$14,200 to settle the debt. As part of the loan agreement the Company paid a US$8,000 processing fee and US$24,000 finders' fee, as the loan is short term in nature the fair value of the loan was determined to match the book value of the loan. The processing fee and finders' fee were recorded as interest expense. During the year December 31, 2022, the Company made principal repayments of US$155,000 (CAD - $201,671) and interest payments of US$65,100 (CAD - $84,702). As at December 31, 2022 the balance owing was US$245,000 (CAD - $331,828).

On October 4, 2022, the Company received an additional short-term loan for US$100,000 due on August 4, 2023. Per the terms of the loan the Company is required to make 40 payments of US$3,550 to settle the debt. As part of the loan agreement the Company paid a US$4,298 processing fee which was recorded as interest expense. AS the loan is short term in nature the fair value of the loan was determined to match the book value of the loan. During the year ended December 31, 2022, the Company made principal repayments of US$33,388 (CAD - $43,440) and interest payments of U$14,044 (CAD - $18,272). As at December 31, 2022 the balance owing was US$66,613 (CAD - $90,220).

9. 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, 2022:

a) On January 1, 2022, the Company issued 2,500,000 common shares pursuant to the settlement of US$100,000 convertible debt, the shares were fair valued at $125,000.
b) On January 20, 2022, the Company issued 5,000,000 common shares pursuant to the settlement of US$200,000 convertible debt, the shares were fair valued at $250,000.
c) On February 15, 2022, the Company issued 7,625,000 common shares pursuant to the settlement of US$305,000 convertible debt, the shares were fair valued at $343,125.
d) On May 4, 2022, the Company issued 337,500 common shares pursuant to the settlement of US$13,500 convertible debt, the shares were fair valued at $11,813.
e) On May 9, 2022, the Company issued 9,850,000 common shares pursuant to the settlement of US$394,000 convertible debt, the shares were fair valued at $270,875.
f) On May 13, 2022, the Company issued 1,000,000 common shares in lieu of consulting fees, the shares were fair valued at $30,000.
g) On June 30, 2022, the Company issued 250,000 common shares in lieu of consulting fees, the shares were fair valued at $5,000.
h) On June 30, 2022, the Company issued 13,473,358 common shares pursuant to the Asset Acquisition, the shares were fair valued at $269,467.

During the year ended December 31, 2021:

a) On January 7, 2021, the Company issued 1,975,822 common shares pursuant to the settlement of US$118,549 convertible debt, the shares were fair valued at $316,133.
b) On January 13, 2021, the Company issued 2,756,250 common shares pursuant to the settlement of US$220,500 convertible debt, the shares were fair valued at $468,563.
c) On January 15, 2021, Company issued 175,000 incentive shares pursuant to the issuance of a convertible note of US$175,000.
d) On February 2, 2021, the Company issued 2,756,250 common shares pursuant to the settlement of US$165,375 convertible debt, the shares were fair valued at $385,875.
e) On February 17, 2021, the Company issued 1,378,125 common shares pursuant to the settlement of US$82,688 convertible debt, the shares were fair valued at $323,859.
f) On March 15, 2021, the Company issued 300,000 incentive shares pursuant to the issuance of a convertible note of US$367,500.
g) On May 20, 2021, the Company issued 5,053,125 common shares pursuant to the settlement of US$303,188 convertible debt, the shares were fair valued at $682,172.
h) On June 2, 2021, the Company issued 833,333 common shares in lieu of fees to a consultant of the Company. The shares were fair valued at $91,667.
i) On September 15, 2021, the Company issued 13,777,778 common shares as part of the Trucking Acquisition, the shares were fair valued at $1,611,020. The Company also issued 500,000 incentive shares pursuant to the issuance of a convertible note.
j) On September 22, 2021, the Company issued 2,670,925 common shares pursuant to the settlement of US $184,000 convertible debt, the shares were fair valued at $280,447
k) On September 30, 2021, the Company issued 13,000,000 common shares in lieu of fees to directors and officers of the Company, the shares were fair valued at $1,430,000.
l) On November 15, 2021, the Company issued 1,922,707 common shares pursuant to the settlement of US$100,000 convertible debt, the shares were fair valued at $182,657.
m) On December 7, 2021, the Company issued 2,528,448 common shares pursuant to the settlement of US$100,000 convertible debt, the shares were fair valued at $189,634.
n) On December 29, 2021, the Company issued 2,500,000 common shares pursuant to the settlement of US$100,000 convertible debt, the shares were fair valued at $137,500.
o) The Company issued 657,000 shares pursuant to the exercise of 657,000 warrants for gross proceeds of $98,550.
p) The Company issued 100,000 shares pursuant to the exercise of 100,000 stock options for gross proceeds of $9,000.

(Expressed in Canadian Dollars)

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, 2020	**9,800,000**	**0.15**
Granted	2,500,000	0.14
Exercised	(100,000)	0.09
Cancelled	(1,025,000)	0.16
Balance, December 31, 2021	**11,175,000**	**0.15**
Granted	1,500,000	0.05
Expired	(700,000)	0.18
Balance, December 31, 2022	**11,975,000**	**0.13**

Pursuant to the exercise of stock options the Company reallocated $nil (2021 - $6,965) of contributed surplus to share capital.

(Expressed in Canadian Dollars)

As at December 31, 2022 the following options were outstanding and exercisable:

Expiry Date	Exercise price $	Remaining life (years)	Options outstanding
January 21, 2023	0.32	0.31	450,000
May 1, 2023	0.24	0.58	500,000
August 15, 2023	0.21	0.87	300,000
August 31, 2023	0.27	0.92	200,000
November 22, 2023	0.26	1.15	100,000
December 13, 2023	0.25	1.20	750,000
May 2, 2024	0.27	1.59	150,000
May 17, 2024	0.245	1.66	200,000
June 17, 2024	0.245	1.72	300,000
May 6, 2025	0.09	2.67	2,475,000
June 1, 2025	0.14	2.60	250,000
July 22, 2025	0.09	2.81	200,000
November 12, 2025	0.075	3.12	2,100,000
January 22, 2026	0.145	3.32	2,000,000
June 2, 2026	0.12	3.67	500,000
May 6, 2027	0.05	4.60	1,500,000
			11,975,000

Warrants

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

	Number of Options #	Weighted Average Exercise Price $
Balance, December 31, 2020	**1,884,477**	**0.15**
Exercised	(657,000)	0.15
Expired	(1,227,477)	0.15
Balance, December 31, 2021 and December 31, 2022	**-**	**0.15**

(Expressed in Canadian Dollars)

10. 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:

	2022 $	2021 $	2020 $
Consulting fees	-	-	372,066
Management fees	714,346	1,808,250	305,158
Salaries and wages	75,000	78,751	-
Share-based compensation	-	231,016	295,786
	789,346	2,118,017	973,010

(Expressed in Canadian Dollars)

Included in accounts payable as at December 31, 2022 is $576,942 (December 31, 2021 - $112,128) owing to related parties. These amounts are non-interest bearing, unsecured and due on demand.

11. SEGMENTED INFORMATION

As at December 31, 2022, the Company had one reportable segment, being last-mile delivery service and logistics solutions, and had operations in two geographical areas: Canada and the USA.

Geographic Segments

	2022	2021
	$	$
Net gain (loss)		
Canada	(3,175,742)	(4,192,087)
USA	(350,255)	89,479
	(3,525,997)	**(4,102,608)**

	December 31, 2022	December 31, 2021
	$	$
Assets		
Canada	291,183	1,342,697
USA	4,269,648	4,146,629
	4,560,831	**5,489,326**

12. 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 year ended December 31, 2022.

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 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. In December 2020, the Company entered into an agreement pursuant to which it received access to a US $5,000,000 equity line of credit for a period of three years. As at December 31, 2022 the Company has not accessed the equity line of credit.

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 year ended December 31, 2022.

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13. LEASE OBLIGATIONS

The Company's lease obligations at December 31, 2022 and December 31, 2021 and the changes for the years then ended are as follows:

	$
Balance, December 31, 2020	**212,903**
Lease additions	619,678
Lease credit	(4,385)
Interest expense	22,666
Payments	(287,532)
Balance, December 31, 2021	**563,330**
Interest expense	40,792
Lease termination	(342,936)
Payments	(192,854)
Balance, December 31, 2022	**68,332**

The Company's future minimum lease payments under the lease obligations as at December 31, 2022 and December 31, 2021 are as follows:

	December 31, 2022 $	**December 31, 2021** $
Less than 1 year	62,208	166,878
1-5 years	10,368	467,025
5 + years	-	-
Total minimum lease payments	72,576	633,903
Less: Imputed Interest	(4,244)	(70,573)
Total lease obligations	68,332	563,330
Current portion of lease obligations	(58,012)	(158,409)
Non-current portion of lease obligations	10,320	404,921

14. CONVERTIBLE PROMISSORY NOTE

During the year ended December 31, 2021, and 2020, the Company entered into multiple US dollar denominated convertible note agreements, with each convertible note containing a guaranteed interest rate between 5% and 10%, a 5% original issue discount on the principal of the convertible note, incentive common shares of the Company and the right to convert at a fixed price of US $0.06 to US $0.08 per share. As the convertible note and embedded conversion feature are denominated in US dollars and the Company has a Canadian dollar functional currency, they are within the scope of IAS 32 – *Financial Instruments: Presentation,* the value of the conversion feature is subject to changes in value based on the prevailing market price, resulting in a derivative liability. On initial recognition, the Company used the residual value method to allocate the principal amount of the convertible note between the derivative liability and host debt components. The derivative liability was valued first using the Black Scholes option pricing model and the residual was allocated to the host debt component. As the fair value of the debt, when discounted using the Company's discount rate of 11.31% was greater than the total consideration received, the incentive shares were allocated a value of $nil.

(Expressed in Canadian Dollars)

The derivative liability is remeasured at fair value through profit or loss at each reporting period using the Black-Scholes pricing model using the following assumptions:

	December 31, 2021
Risk-free interest rate	0.12%
Estimated life	0.5 - 0.75 years
Expected volatility	97%-140%
Expected dividend yield	0.00%

The convertible notes issued are as follows:

On April 13, 2021, the Company issued a convertible note for US$341,250 (CAD - $427,873) with a guaranteed interest rate of 5% and an original issue discount of US$16,250. The note matures on October 10, 2021 and can be converted into common shares of the Company at a conversion price of US$0.13 per common share. The conversion option was fair valued at $10,817 and the loan was valued at $396,681. The loan is amortized to maturity using an effective interest rate of 4.88%. On December 7, 2021 and December 29, 2021, the Company issued 417,196 and 2,500,000 common shares to settle US $116,500 of the loan, the shares were fair valued at $31,290 and $137,500 respectively. During the year ended December 31, 2022, the derivative was revalued at $nil and a gain on fair value of derivative liability of $66,928 was recorded. The remainder of the convertible note was settled pursuant to the issuance of 6,045,325 common shares fair valued at $302,500. The Company recorded a gain on settlement of $19,005.

On May 27, 2021, the Company issued a convertible note for US$341,250 (CAD - $412,479) with a guaranteed interest rate of 5% and an original issue discount of US$16,250. The note matured on November 23, 2021 and can be converted into common shares of the Company at a conversion price of US$0.13 per common share. The conversion option was fair valued at $18,356 and the loan was valued at $374,481. The loan is amortized to maturity using an effective interest rate of 5.98%. During the year ended December 31, 2022, the derivative was fair valued at $nil and the Company recorded a gain on derivative liability of $94,980. The remainder of the convertible note was settled pursuant to the issuance of 8,957,800 common shares fair valued at $408,763, the Company recorded a gain on debt settlement of $47,503.

On closing of the Trucking Acquisition, the Company issued a convertible note with face value of up to US$2,300,000 receivable in four tranches. Each of the first three funded tranches will carry a 5% Original Issue Discount (or "OID"). As consideration of the convertible note, the Company shall issue 500,000 common shares to the noteholder for each of the first three funded tranches. As at December 31, 2021, the first tranche of US $735,000 and the second tranche of US $672,000 had been funded and 1,000,000 common shares were issued to the noteholder, valued at $nil.

The first tranche had a guaranteed interest rate of 8% and an original issue discount for US $35,000. The note matured on March 14, 2022, and can be converted into common shares of the Company at a conversion price of US $0.09 per common share. The conversion option was fair valued at $110,301 and the loan was fair valued at $776,844. The loan is amortized to maturity using an effective interest rate of 20.087%. During the year ended December 31, 2022, the Company fair valued the derivative liability at $nil and recorded a gain on fair value of derivative liability of $11,534. The Company settled $456,265 of the loan pursuant to the issuance of 10,309,375 common shares fair valued at $289,550 and recorded a gain on debt settlement of $206,740. As at December 31, 2022, the outstanding balance of the convertible note is $553,169.

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The second tranche had a guaranteed interest rate of 8% and an original issue discount for US $32,000. The note matures on May 23, 2022 and can be converted into common shares of the Company at a conversion price of US $0.09 per common share. The conversion option was fair valued at $140,643 and the loan was fair valued at $670,204. The loan is amortized to maturity using an effective interest rate of 25.55%. As at December 31, 2022, the derivative was fair valued at $nil and the Company recorded a gain on fair value of derivative liability of $33,285. As at December 31, 2022, the outstanding balance of the convertible note was $982,970.
The changes in the fair value of the derivative and loan balances were as follows:

	Convertible Debt $	Derivative Liability $
Balance, December 31, 2020	**766,070**	**794,631**
Additions	2,653,829	503,848
Interest expense	198,092	-
Accretion	552,151	-
Change in fair value of derivative liability	-	112,387
Conversion of convertible debt	(1,766,066)	(1,204,140)
Foreign exchange on loan	25,151	-
Balance, December 31, 2021	**2,429,227**	**206,726**
Interest expense	88,778	-
Accretion	200,497	-
Change in fair value of derivative liability	-	(206,726)
Conversion of convertible debt	(1,274,060)	-
Foreign exchange on loan	91,697	-
Balance, December 31, 2022	**1,536,139**	**-**

15. COST OF SALES

For the year ended December 31, 2022, 2021 and 2020 cost of sales consists of the following:

	2022 $	2021 $	2020 $
Amortization of vehicles	184,070	346,532	388,859
Driver expenses	-	9,808	121,352
Fuel	157,542	112,091	396,343
Short term vehicle rentals	1,272,307	110,265	58,042
Salaries and wages	7,624,566	5,674,740	4,983,299
	9,238,485	**6,253,436**	**5,947,895**