

**PARCELPAL TECHNOLOGY INC.**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**(Expressed in Canadian Dollars)**

**For the six months ended June 30, 2016  
(Unaudited – Prepared by Management)**

## **NOTICE OF NO AUDITOR REVIEW OF 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 interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

**ParcelPal Technology Inc.**  
Condensed Consolidated Interim Statements of Financial Position  
Unaudited – Prepared by Management  
(Expressed in Canadian Dollars)  
AS AT

	<b>June 30, 2016</b>	<b>December 31, 2015</b>
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 94,692	\$ 201,490
Goods and service tax	12,302	5,622
Prepaid expenses	-	3,649
	<u>106,994</u>	<u>210,761</u>
<b>Mobile application technology</b> (Note 3)	<u>110,000</u>	<u>110,000</u>
	<u>\$ 216,994</u>	<u>\$ 320,761</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 73,712	\$ 57,386
<b>Shareholders' equity</b>		
Share capital (Note 4)	1,831,547	1,596,553
Contributed surplus (Note 4)	104,680	61,642
Deficit	<u>(1,792,945)</u>	<u>(1,394,820)</u>
	<u>143,282</u>	<u>263,375</u>
	<u>\$ 216,994</u>	<u>\$ 320,761</u>

**Nature of operations and going concern** (Note 1)  
**Subsequent event** (Note 7)

**Approved on behalf of the Board on August 22, 2016:**

*"Jason Moreau"*  
\_\_\_\_\_, Director

*"Ben Catalano"*  
\_\_\_\_\_, Director

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

**ParcelPal Technology Inc.**

Condensed Consolidated Interim Statements of Comprehensive Loss

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

	<b>Three Months Ended June 30, 2016</b>	<b>Three Months Ended June 30, 2015</b>	<b>Six Months Ended June 30, 2016</b>	<b>Six Months Ended June 30, 2015</b>
<b>SALES</b>	\$ 2,441	\$ -	\$ 2,441	\$ -
<b>COST OF SALES</b>	(161)	-	(161)	-
<b>GROSS PROFIT</b>	2,280	-	2,280	-
<b>EXPENSES</b>				
Consulting fees	103,185	-	180,923	-
Office and miscellaneous	29,739	546	48,694	604
Investor relations	5,599	-	5,599	-
Management fees	30,000	-	60,000	-
Professional fees	19,997	27,424	37,291	33,804
Regulatory and filing fees	12,591	3,441	18,054	5,946
Share-based compensation (Note 4)	24,229	-	35,717	-
Travel and accommodation	4,349	-	14,127	-
	(229,689)	(31,411)	(400,405)	(40,354)
Loss and comprehensive loss	\$ (227,409)	\$ (31,411)	\$ (398,125)	\$ (40,354)
Basic and diluted loss per common share	\$ (0.01)	\$ (0.00)	\$ (0.02)	\$ (0.00)
Weighted average number of common shares – basic and diluted	25,401,511	15,937,459	24,835,579	14,225,016

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**ParcelPal Technology Inc.**

Condensed Consolidated Interim Statement of Changes in Equity

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

For the six months ended June 30, 2016

	Number of Common Shares	Capital Stock	Subscriptions received in advance	Contributed Surplus	Deficit	Total
<b>December 31, 2014</b>	<b>12,454,850</b>	<b>\$ 1,137,829</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (1,213,274)</b>	<b>\$ (75,445)</b>
Private placement, at \$0.025 (Note 4)	3,600,000	90,000	-	-	-	90,000
Share issuance costs	-	(2,823)	-	-	-	(2,823)
Loss for the period	-	-	-	-	(40,354)	(40,354)
<b>June 30, 2015</b>	<b>16,054,850</b>	<b>1,225,006</b>	<b>-</b>	<b>-</b>	<b>(1,253,628)</b>	<b>(28,622)</b>
Private placement, at \$0.05 (Note 4)	5,000,000	250,000	-	-	-	250,000
Share-based compensation	-	-	-	56,409	-	56,409
Shares for debt (Note 4)	630,000	31,500	-	-	-	31,500
Shares for mobile application technology (Note 3, 4)	2,000,000	100,000	-	-	-	100,000
Share issuance costs	-	(9,953)	-	5,233	-	(4,720)
Loss for the period	-	-	-	-	(141,192)	(141,192)
<b>December 31, 2015</b>	<b>23,684,850</b>	<b>1,596,553</b>	<b>-</b>	<b>61,642</b>	<b>(1,394,820)</b>	<b>263,375</b>
Private placement, at \$0.1125 (Note 4)	1,716,661	193,124	-	-	-	193,124
Share-based compensation	-	-	-	35,717	-	35,717
Share issuance costs	-	(16,230)	-	7,321	-	(8,909)
Subscriptions received in advance	-	-	58,100	-	-	58,100
Loss for the period	-	-	-	-	(398,125)	(398,125)
<b>June 30, 2016</b>	<b>25,401,511</b>	<b>\$ 1,773,447</b>	<b>\$ 58,100</b>	<b>\$ 104,680</b>	<b>\$ (1,792,945)</b>	<b>\$ 143,282</b>

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**ParcelPal Technology Inc.**

Condensed Consolidated Interim Statements of Cash Flows

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

For the six months ended June 30,

	<b>2016</b>	<b>2015</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss for the period	\$ (398,125)	\$ (40,354)
Non-cash item:		
Share-based compensation	35,717	-
Changes in non-cash working capital items:		
Commodity tax receivable	(6,680)	(1,242)
Prepaid expenses	3,649	-
Accounts payable and accrued liabilities	16,326	(16,511)
Net cash used in operating activities	(349,113)	(58,107)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from private placements	184,215	90,000
Share issuance costs	-	(2,823)
Subscriptions received in advance	58,100	-
Net cash provided by financing activities	242,315	87,177
<b>Change in cash for the period</b>	(106,798)	29,070
<b>Cash, beginning of the period</b>	201,490	195
<b>Cash, end of period</b>	\$ 94,692	\$ 29,265

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**ParcelPal Technology Inc.**

Notes to the Condensed Consolidated Interim Financial Statements

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

For the six months ended June 30, 2016

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**1. NATURE OF OPERATIONS AND GOING CONCERN**

ParcelPal Technology Inc. (“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 is listed and trades on the Canadian Securities Exchange under the symbol “PKG”.

The Company is currently engaged in the development of an on-demand local delivery service application (“ParcelPal”) (Note 3).

The Company had net loss of \$398,125 for the six month period ended June 30, 2016 (2015 –\$40,354) and has a deficit of \$1,792,945 as at June 30, 2016 (December 31, 2015 – \$1,394,820). These condensed interim consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. The Company has material financial uncertainties that may cast significant doubt upon the Company’s ability to continue as a going concern. The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

**2. SIGNIFICANT ACCOUNTING POLICIES****Basis of preparation***Statement of compliance*

These condensed consolidated interim 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 in accordance with International Accounting Standards (“IAS”) 34, Interim Financial Reporting.

The policies applied in these condensed consolidated interim financial statements are presented below and are based on IFRS issued and outstanding as of August 22, 2016, the date the Board of Directors approved the condensed consolidated interim financial statements. Any subsequent changes to IFRS that are given effect in our annual financial statements for the year ending December 31, 2016 could result in restatement of these condensed consolidated interim financial statements. None of these standards are expected to have a significant effect on the condensed consolidated interim financial statements.

These condensed consolidated interim financial statements are presented in Canadian dollars.

*Basis of measurement*

The Company’s condensed consolidated interim financial statements have been prepared on the historical cost basis except for the revaluation of certain financial assets and financial liabilities to fair value.

**Significant Estimates and Assumptions**

The preparation of condensed consolidated interim financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning 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 and estimating the fair value for share-based payment transactions. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 6.

**ParcelPal Technology Inc.**

Notes to the Condensed Consolidated Interim Financial Statements

Unaudited – Prepared by Management

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For the six months ended June 30, 2016

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**2. SIGNIFICANT ACCOUNTING POLICIES (continued)****Significant Judgements**

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's accounting policies in these financial statements were:

- Determining whether or not the acquisition of ParcelPal constituted a business combination or an acquisition of assets. The benefit to the Company of acquiring ParcelPal was the acquisition of its intellectual property. Management concluded that because ParcelPal did not possess the necessary inputs and processes capable of producing outputs it did not meet the definition of a business as defined by IFRS. Accordingly, the transaction was accounted for as an acquisition of assets and the fair value of the consideration paid was allocated to the assets acquired.

Other significant judgments in applying the Company's accounting policies relate to the assessment of the Company's ability to continue as a going concern (Note 1) and the classification of its financial instruments.

**Foreign currency translation**

The functional and presentation currency of the Company is the Canadian Dollar, as this is the principal currency of the economic environment in which it operates.

Transactions in foreign currencies are initially recorded in the Company's functional currency at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities of the Company that are denominated in foreign currencies are translated to the functional currency at the exchange rate prevailing at the end of each reporting period. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value is determined. Exchange gains and losses arising on translation are included in the statement of comprehensive loss.

**Loss per share**

Basic loss per share is calculated by dividing the statement of loss and comprehensive loss by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the statement of loss and comprehensive loss 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.

**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*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

**ParcelPal Technology Inc.**

Notes to the Condensed Consolidated Interim Financial Statements

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

For the six months ended June 30, 2016

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**2. SIGNIFICANT ACCOUNTING POLICIES (continued)***Deferred tax*

Deferred tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

**Intangibles**

Separately acquired application software are recorded at historical cost. Application software acquired in a business combination is recognized at fair value at the acquisition date. Application software has a finite useful life and are carried at cost less accumulated amortization. The Company begins recording amortization once the software is ready for its intended use.

**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 technical 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 period ended June 30, 2016.

**Share-based payments**

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.

**ParcelPal Technology Inc.**

Notes to the Condensed Consolidated Interim Financial Statements

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**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Impairment of assets**

The carrying amount of the Company's assets is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

**Financial Instruments**

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through net loss. Cash is classified as FVTPL.

Financial assets classified as loans and receivables and held to maturity are measured at amortized cost.

Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary.

At June 30, 2016 and December 31, 2015, the Company has not classified any financial assets as available for sale.

Transaction costs associated with FVTPL are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are measured at amortized cost. Accounts payable and accrued liabilities and loan payable are classified as other financial liabilities.

Financial liabilities classified as FVTPL are measured at fair value with unrealized gains and losses recognized through net loss. At June 30, 2016 and December 31, 2015, the Company has not classified any financial liabilities as FVTPL.

**ParcelPal Technology Inc.**

Notes to the Condensed Consolidated Interim Financial Statements

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

For the six months ended June 30, 2016

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)****Share Capital**

Common shares issued by the Company are classified as equity. Costs directly attributable to the issuance of common shares, share purchase warrants and share options are recognized as a deduction from equity, net of any related income tax effects.

**Accounting Standards and Interpretations Issued but Not Yet Adopted**

Accounting standards or amendments to existing standards that have been issued but have future effective dates are either not applicable or not expected to have a significant impact on the Company's financial statements.

**3. PARCELPAL ACQUISITION**

On November 6, 2015, the Company completed the acquisition of ParcelPal. ParcelPal is parcel delivery mobile application technology.

As consideration, the Company issued 2,000,000 shares with a fair value of \$100,000. The transaction was accounted for as an acquisition of an asset as there did not exist the necessary inputs and processes capable of producing outputs to constitute a business as defined by IFRS 3, Business Combinations. Also capitalized were transaction costs of \$10,000 consisting of legal fees. No amortization was recorded as ParcelPal is not yet ready for its intended use.

During the period ended June 30, 2016, the Company expensed \$145,595 (December 31, 2015 - \$19,971) of development costs relating to ParcelPal.

**4. SHARE CAPITAL****Common Shares**

Authorized: Unlimited common shares, without par value

During the period ended June 30, 2016, the Company completed a non-brokered private placement of 1,716,661 units at a price of \$0.1125 per unit for gross proceeds of \$193,124. Each unit consists of one common share and one warrant. Each warrant entitles the holder to purchase one additional share at \$0.20 until August 29, 2017. The Company issued 99,000 finder's warrants exercisable at price of \$0.20 until August 29, 2017.

During the year ended December 31, 2015, the Company:

- a) On April 2, 2015, the Company issued 3,600,000 common shares at a price of \$0.025 per share for proceeds of \$90,000. Share issuance costs consisted of \$2,823 in cash.
- b) On November 6, 2015, the Company issued 2,000,000 common shares with an estimated fair value of \$0.05 per share pursuant to the purchase of a ParcelPal (Note 3).
- c) On November 6, 2015, the Company issued 630,000 common shares at a price of \$0.05 per share to settle a debt of \$31,500.
- d) On November 26, 2015, the Company issued 2,000,000 units at a price of \$0.05 per share for proceeds of \$100,000. Each unit consisted of one common shares and one half of one warrant of the Company. Each warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.10 for a period of 12 months from closing.
- e) On December 18, 2015, the Company issued 3,000,000 units at a price of \$0.05 per share for proceeds of \$150,000. Each unit consisted of one common shares and one half of one common share purchase warrant of the Company. Each warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.10 for a period of 12 months from closing. Share issuance costs consisted of \$4,720 in cash and issuance of 98,000 finder's warrants valued at \$5,223.

**ParcelPal Technology Inc.**

Notes to the Condensed Consolidated Interim Financial Statements

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

For the six months ended June 30, 2016

**4. SHARE CAPITAL (continued)****Stock Options**

During the period ended June 30, 2016, the Company

- a) On February 5, 2016, the Company granted 125,000 stock options exercisable at \$0.15 until February 5, 2019 and recorded share-based compensation of \$9,319.
- b) On March 4, 2016, the Company granted 200,000 stock options exercisable at \$0.15 until March 4, 2019 and recorded share-based compensation of \$21,695.
- c) On April 21, 2016, the Company granted 25,000 stock options exercisable at \$0.26 until April 21, 2019 and recorded share-based compensation of \$4,703.

During the year ended December 31, 2015, the Company

- a) On November 6, 2015, the Company granted 950,000 stock options exercisable at \$0.05 until November 6, 2018 and recorded share-based compensation of \$35,262; and
- b) On December 18, 2015, the Company granted 255,000 stock options exercisable at \$0.10 until December 18, 2018 and recorded share-based compensation of \$21,147.

	Period ended June 30, 2016		Year ended December 31, 2015	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning of period	1,205,000	\$ 0.06	-	\$ -
Granted	350,000	0.16	1,205,000	0.06
Balance, end of period	1,555,000	\$ 0.08	1,205,000	\$ 0.06

As at period ended June 30, 2016, the following options were outstanding and exercisable:

Expiry Date	Number Outstanding	Exercise Price
November 6, 2018	950,000	\$ 0.05
December 18, 2018	255,000	\$ 0.10
February 5, 2019	125,000	\$ 0.15
March 4, 2019	200,000	\$ 0.15
April 21, 2016	25,000	\$ 0.26
	1,555,000	

The fair value of each option granted is estimated on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	Period ended June 30, 2016	Year ended December 31, 2015
Expected dividend yield	Nil	Nil
Stock price volatility	125.00%	130.00%
Risk-free interest rate	0.48%	0.63%
Expected life of options	3 years	3 years

The weighted average fair value of the options granted during the period ended June 30, 2016 was \$0.11 (2015 - \$Nil) per option, resulting in stock-based compensation expense of \$35,717.

**ParcelPal Technology Inc.**

Notes to the Condensed Consolidated Interim Financial Statements

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

For the six months ended June 30, 2016

**4. SHARE CAPITAL (continued)****Common Share Warrants**

The Company has issued and outstanding the following share purchase warrants:

	<b>Period ended June 30, 2016</b>		<b>Year ended December 31, 2015</b>	
	<b>Number of warrants</b>	<b>Weighted average exercise price</b>	<b>Number of warrants</b>	<b>Weighted average exercise price</b>
Balance, beginning of period	2,598,000	\$ 0.10	-	\$ -
Granted	1,815,661	0.20	2,598,000	0.10
Balance, end of period	4,413,661	\$ 0.14	2,598,000	\$ 0.10

As of June 30, 2016, the following share purchase warrants were outstanding and exercisable:

<b>Expiry Date</b>	<b>Number Outstanding</b>	<b>Exercise Price</b>
November, 26, 2016	1,000,000	\$ 0.10
December 18, 2016	1,500,000	\$ 0.10
December 18, 2016	98,000	\$ 0.10
August 29, 2017	1,815,661	\$ 0.20
	4,413,661	

The fair value of the warrants granted as a finder's fee was estimated on the date of the issue date using the Black-Scholes option pricing model with the following weighted average assumptions:

	<b>Period ended June 30, 2016</b>	<b>Year ended December 31, 2015</b>
Expected dividend yield	Nil	Nil
Stock price volatility	125.00%	122.05%
Risk-free interest rate	0.51%	0.50%
Expected life of options	1.5 years	1 years

**5. RELATED PARTY DISCLOSURES**

During the period ended June 30, 2016, in connection with the February 29, 2016 private placement an officer and director of the Company purchased 90,000 shares for proceeds of \$10,125.

During the year ended December 31, 2015:

- i) In connection with the April 2, 2015 private placement, an officer, a director, and family members of directors purchased 2,880,000 shares for proceeds of \$72,000.
- ii) In connection with the November 26, 2015 private placement, an officer, a director, and family members of directors purchased 1,440,000 units for proceeds of \$72,000.
- iii) In connection with the December 18, 2015 private placement, officers and a director purchased 1,080,000 units for proceeds of \$54,000.

**Key management personnel**

During the period ended June 30, 2016, the Company:

- i) granted Nil stock options (December 31, 2015 – 550,000) to officers and directors of the Company with a fair value of \$Nil (December 31, 2015 – \$20,415) and was included in share-based compensation expense.
- ii) paid \$30,000 (Year ended December 31, 2015 - \$Nil) in management fees to the Chief Executive Officer, who is also a Director of the Company.

**ParcelPal Technology Inc.**

Notes to the Condensed Consolidated Interim Financial Statements

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

For the six months ended June 30, 2016

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**6. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

The Company has applied a three-level hierarchy to reflect the significance of the inputs used in making fair value measurements. The three levels of 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 assets or liabilities, either directly or indirectly; and

Level 3 – Inputs for assets or liabilities that are not based on observable market data.

The Company's financial instruments consist of cash, accounts payable and accrued liabilities and loan payable. The fair value of these financial instruments, other than cash, approximates their carrying values due to the short-term nature of these instruments. Cash is measured at fair value using level 1 inputs.

The Company is exposed to a variety of financial risks by virtue of its activities including currency, credit, interest rate and liquidity risk.

a) Credit risk

Credit risk is 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.

b) Interest rate 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 (Note 5).

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they come 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.

d) Foreign currency 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.

e) Capital management

The Company defines capital that it manages as its shareholders' equity. When managing capital, the Company's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the development of a social collaborative charting, news and communication platform for traders. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes to the Company's approach to capital management during the period ended June 30, 2016.

**ParcelPal Technology Inc.**

Notes to the Condensed Consolidated Interim Financial Statements

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

For the six months ended June 30, 2016

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**7. SUBSEQUENT EVENT**

Subsequent to the period ended June 30, 2016, the Company completed a non-brokered private placement of 1,119,047 units at a price of \$0.21 per unit for gross proceeds of \$235,000. Each unit consists of one common share and one-half of one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share at \$0.30 until January 18, 2018. The Company paid cash commission of \$12,600 and issued 75,000 finder's warrants exercisable at price of \$0.30 until January 18, 2018.