

PARCELPAL TECHNOLOGY INC.

Management Discussion and Analysis (“MD&A”)

For the period ended March 31, 2018

As at May 30, 2018

GENERAL

For the period ended March 31, 2018, ParcelPal Technology Inc. (“the Company”) has prepared this management discussion following the requirements of National Instrument 51-102 (“NI-51-102”) and should be read in conjunction with the unaudited condensed consolidated interim financial statements and accompanying notes for the period ended March 31, 2018 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. All monetary amounts, unless otherwise indicated, are expressed in Canadian dollars. Additional regulatory filings for the Company can be found on the SEDAR website at www.sedar.com.

The reader should also refer to the audited consolidated financial statements for the year ended December 31, 2017.

The incorporation jurisdiction of ParcelPal Technology Inc. is British Columbia.

This MD&A is the responsibility of management. Prior to its release, the Company’s Board of Directors (the “Board”) has approved this MD&A on the Audit Committee’s recommendation. The Company presents its consolidated financial statements in Canadian dollars. Amounts in this MD&A are stated in Canadian Dollars unless otherwise indicated. Unless otherwise noted or the context indicates otherwise, “we”, “us”, “our”, the “Company” or “ParcelPal” refer to ParcelPal Technology Inc. and its direct and indirect subsidiaries.

FORWARD LOOKING STATEMENTS

This MD&A includes certain “forward-looking information” and “forward-looking statements” (collectively “forward-looking statements”) within the meaning of applicable Canadian securities legislation. All statements, other than statements of historical fact, included herein, without limitation, statements relating to the future business operations of the Company, are forward-looking statements. Forward-looking statements are frequently, but not always, identified by words such as “plans”, “expects”, “anticipates”, “believes”, “intends”, “estimates”, “potential”, “possible”, and similar expressions, or statements that events, conditions, or results “will”, “may”, “could”, or “should” occur or be achieved. Forward-looking statements in this MD&A relate to, among other things, the Company expanding into additional markets, management’s expectations regarding the liquidity of the Company, the Company’s fee structure, and the Company’s plans with respect to managing liquidity risk. Forward-looking statements reflect the beliefs, opinions and projections on the date the statements are made and are based upon a number of assumptions and estimates that, while considered reasonable by the respective parties, are inherently subject to significant business, economic, competitive, political and social uncertainties and contingencies.

There can be no assurance that such forward-looking statements will prove to be accurate, and actual results and future events could differ materially from those anticipated in such statements. Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking statements, including but not limited to: risks related to the nascent branding, social media technology, which is affected by numerous factors beyond the Company’s control; the Company’s ability to succeed in the North American market; and access to debt and equity; and the early stage of the Company’s business. The Company is subject to the risks associated with early stage companies, including uncertainty of revenues, markets and profitability and the ability to access debt or equity financing, as necessary. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended.

All material assumptions used in making forward-looking statements are based on management’s knowledge of current business conditions and expectations of future business conditions and trends, including their knowledge of the current sales trends, general economic conditions affecting the Company and the Canadian and US economies. Certain material factors or assumptions are applied by the Company in making forward-looking statements, including without limitation, factors and assumptions regarding the Company’s continued ability to fund its business, rates of customer

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defaults, acceptance of its products in the current marketplace and acceptance of its products in other marketplaces, as well as its operating cost structure and current and future trends in social media advertising and traditional print media. Although the Company believes the assumptions used to make such statements are reasonable at this time, there may be other factors that cause results not to be as anticipated, estimated or intended.

Accordingly, readers should not place undue reliance on forward-looking statements. The Company does not undertake to update any forward-looking statements that are incorporated by reference herein, except in accordance with applicable securities laws.

Q1 2018 Highlights (Compared with Q1 2017)

- \$612,641 in revenue for Q1 2018, up from \$4,577 in Q1 2017.
- \$193,356 of gross profit for Q1 2018, up from \$4,256 in Q1 2017.
- \$1,608,263 total cash on hand in Q1 2018, up from \$133,849 in Q1 2017.

Q1 2018 Operating Highlights:

- Over 250 live locations.
- Delivered approximately 300,000 packages across Vancouver in Q1.
- Appointed new CFO Devon Brown.
- Appointed new CTO Cody Halovich.
- Achieved gold status as an amazon fulfillment provider.

COMPANY OVERVIEW AND OUTLOOK

ParcelPal Technology Inc., a Vancouver based on-demand delivery service, owns and operates ParcelPal, a streamlined mobile application that enables consumers to shop at local merchants and have their items delivered in an hour or less. The Company provides online eCommerce integrations (WooCommerce, Magento, Shopify), an iOS application, open web portal for B2B shipments and various API integration capabilities. The technology stack enables business to operate online and provide an end to end solution for last mile logistics. ParcelPal’s management have spent considerable amount of time developing and streamlining the ordering and fulfillment processes for their eCommerce channels which enable merchants or local businesses to easily integrate no matter the size. ParcelPal has enabled these businesses to completely bypass point of sale integrations, eliminate expensive implementations and reduce overall overhead that often hold merchants back from offering online ordering and logistics.

To successfully execute an aggressive growth strategy to fulfill the demand of merchants and consumers, ParcelPal is developing a remote launch kit whereby merchants will be able to set up and get started outside the Vancouver area. ParcelPal’s marketing team has additionally begun marketing in various cities across Canada to estimate demand and launch in that given city.

The Company will increase monthly recurring revenue by continuously adding new merchants, delivery verticals and drivers to the platform. Monthly fees from merchants is part of ParcelPal’s plan for additional revenue streams. In addition to ParcelPal’s current services, ParcelPal plans to implement additional services for consideration of growing the merchant’s business and retaining existing customers. ParcelPal has been working closely with merchants to determine pricing strategies and service add-ons to further monetize the platform.

Forward Looking Growth Strategies

Canada plans to legalize recreational cannabis before 2019, and the industry continues to steal headlines as this has created great opportunity for both companies and investors alike. In the green rush, the investment community has primarily been focused on the cannabis producers. It has been widely speculated that the market will soon sway to ancillary businesses that support and facilitate both the production and distribution of cannabis. With full legalization pending, and a relatively unsophisticated and progressive business space, the cannabis industry will reward those that can solidify their supply chain and increase their online presence to reach potential and returning customers. ParcelPal plans on capitalizing on the opportunities in the marijuana space in the coming year.

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ParcelPal intends to pursue a number of technology, product and marketing initiatives to continue to drive growth in 2018. ParcelPal’s strategic priorities include:

- Grow monthly reoccurring revenues by engaging new and acquired merchants.
- Continue to launch multiple delivery verticals within the application.
- Further grow the technology platform and offer ParcelPal on multiple platform such as web and Android.
- Broaden our geographic footprint across Canadian cities and build on our current market in Vancouver.
- Continue leveraging on our partnership with Amazon.

Capital Management

The Company manages its capital structure and makes adjustments based on the funds available to the Company in order to facilitate the liquidity needs of its operations. The Board 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. The Company defines capital to include its working capital position, capital stock and accumulated deficit. 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 in the Company's approach to capital management during the period ended March 31, 2018. The Company is not subject to externally imposed capital requirements

Revenue

The company currently has two revenue streams. One is through the application known as ParcelPal and the other through billable contracts such as Amazon.com Inc and other merchants.

In fiscal 2018, revenue consisted of orders through the ParcelPal application, which constitute a delivery fee and convenience fee. These orders come from either restaurant, B2B or liquor orders. Revenue is recognized upon delivery of the item(s).

ParcelPal also bills Amazon.com Inc. on a weekly basis with terms of net 30 payment schedule.

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GOING CONCERN

The Company has financed its operations through equity issuances. The Company had a net loss of \$910,837 for the period ended March 31, 2018 (2017 – \$292,383) and has a deficit of \$4,692,566 as at March 31, 2018 (December 31, 2017 – \$3,781,729).

The Company has incurred significant operating losses and negative cash flows from operations in recent years, but recently experienced significant revenue increase and has a positive working capital. As a result of the foregoing, there is significant doubt about the Company's ability to continue as a going concern. The condensed interim consolidated financial statements were 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. Whether and when the Company can attain profitability and positive cash flows is uncertain. The Company is working to expand its operations and it is expected that the Company's liquidity will fluctuate as a result of any expansion. The fee structure for the services offered by the Company is expected to remain constant for the foreseeable future.

The continuation of the Company as a going concern is dependent upon completing a short-term financing for sufficient working capital to maintain operations, reducing operating expenses, increasing revenues and commencing profitable operations in the future. Risks that may materially affect the Company's future performance include: the possibility of discontinuance of operations of the Company, the risk that the Company is unable to find suitable investors for a financing, the risk that the Company will not be able to expand operations, the risk that the Company will not be successful due to general risks relating to the mobile application industry, the failure of the Company's app to gain market acceptance, potential challenges to the intellectual property utilized in the Company's app, and competition risks. The Company recognizes the threats posed by operating in an uncertain global economic environment. This uncertainty may continue to impact the Company's industry, resulting in a lower demand for some of its services and its partners' products.

The Company is in its growth phase and it is expected that the Company will continue to incur losses until significant revenues are generated as management executes its business plan. The Company began generating revenue in the period ending September 30, 2017; however, as at March 31, 2018, the Company did not achieve a positive cash flow.

The Company manages liquidity risk by maintaining sufficient cash balances and adjusting the operating budget and expenditures to ensure that there is sufficient capital in order to meet short-term and other specific obligations. The Company plans to control spending and prudently allocate financial resources to optimize value. The Company will seek additional financing through equity financings until the Company reaches profitability. In order to increase sales, the Company intends to ensure that the service provided meets the needs of existing and potential customers and is competitively priced. The Company plans to continue to develop, innovate and continuously improve current and new technologies in a timely and cost effective manner. Management believes that the likelihood of completing these plans is high so that the Company may have sufficient financial resources to meet its planned operations for the foreseeable future.

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.

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SUMMARY OF QUATERLY RESULTS

Following is a table of the income, total assets, operating loss for the past eight quarters.

	For the three months ended			
	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017
Gross profit	\$ 93,356	\$ 2,813	\$ 3,693	\$ 5,951
Total assets	3,281,451	1,096,996	88,056	125,153
Operating loss	(1,104,193)	(776,278)	(156,597)	(304,627)
Net loss	(910,837)	(703,465)	(152,904)	(298,676)
Loss per share	(0.02)	(0.02)	(0.01)	(0.01)
Dividends	-	-	-	-
	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016
Gross profit	\$ 4,256	\$ 5,453	\$ 4,759	\$ 2,280
Total assets	236,177	261,710	190,227	216,994
Operating loss	(296,639)	(360,100)	(198,421)	(229,689)
Net loss	(292,383)	(354,647)	(193,662)	(227,409)
Loss per share	(0.01)	(0.01)	(0.01)	(0.01)
Dividends	-	-	-	-

The Company had revenues of \$612,641 during the period and incurred a gross profit of \$193,356 during the period ended March 31, 2018. Expenses during the period ended March 31, 2018 primarily consisted of consulting fees, share-based compensation and office and miscellaneous. Costs increased mainly as a result of consulting fees paid to developers and share-based compensation paid to key management personnel and consultants.

SELECTED RESULTS

In the period ended March 31, 2018, compared to the period ended March 31, 2017, the Company’s operating expenses increased to \$1,104,193 from \$296,639.

- i) Amortization increased to \$32,982 (2017 - \$9,000) due to depreciation recorded for the leased vehicles during the current period.
- ii) Consulting fees increased to \$149,641 (2017 - \$71,543) due to increased consulting services incurred during the current period.
- iii) Office and miscellaneous increased to \$92,529 (2017 - \$38,691) due to increased activity during the current period.
- iv) Share-based compensation increased to \$737,804 (2017 - \$46,496) due to stock options being granted during the current period.

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EQUIPMENT

During the year ended December 31, 2017, the Company entered into lease agreements to increase the delivery fleet by a total of 29 vehicles to meet the delivery demand for Amazon. Leased vehicles are carried at cost less accumulated amortization.

Cost		Vehicles
As at December 31, 2016	\$	-
Additions		583,881
As at December 31, 2017		583,881
Additions		437,882
As at March 31, 2018	\$	1,021,763
 Accumulated amortization		
As at December 31, 2016	\$	-
Amortization		19,186
As at December 31, 2017	\$	19,186
Amortization		23,982
As at March 31, 2018	\$	43,168
 Net book value		
As at December 31, 2017	\$	564,695
As at March 31, 2018	\$	978,595

INTANGIBLE ASSETS

During the year ended December 31, 2015, the Company acquired \$100,000 of application software through an acquisition and paid \$10,000 cash. During the year ended December 31, 2016, the Company determined the application software to be in use and began amortizing the intangible asset.

Cost		Application Software
As at December 31, 2016 and 2017	\$	110,000
Additions		-
As at March 31, 2018	\$	110,000
 Accumulated amortization		
As at December 31, 2016	\$	18,300
Amortization		36,500
As at December 31, 2017	\$	54,800
Amortization		9,000
As at March 31, 2018	\$	63,800
 Net book value		
As at December 31, 2017	\$	55,200
As at March 31, 2018	\$	46,200

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LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2018 the Company had net working capital of \$1,723,035 compared to a net working capital of \$120,516 as at December 31, 2017.

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 cast significant doubt upon the Company’s ability to continue as a going concern.

RELATED PARTY DISCLOSURES

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:

	March 31, 2018	March 31, 2017
Consulting fees	\$ 21,000	\$ -
Director fees	27,000	-
Management fees	-	20,000
Share-based compensation	276,214	-

As at March 31, 2018, \$6,876 (December 31, 2017 - \$17,749) owing to related parties, comprised of \$1,500 (December 31, 2017 - \$135) to the former CEO of the Company, and \$5,376 (December 31, 2017 - \$17,614) to the CEO of the Company. These amounts are included in accounts payable and are non-interest bearing, unsecured and due on demand. Additionally, the CEO of the Company made advances to the Company of \$25,077 during the year ended December 31, 2017 and it was fully repaid during the period ended March 31, 2018.

Equity:

Period ended March 31, 2018:

On January 31, 2018, the Company issued 75,555 units of the Company to the CEO for gross proceeds of \$10,200. Each unit consists of one common share and one share purchase warrant, which entitles the holder to purchase one additional common share of the Company at a price of \$0.30 per share for a period of 18 months.

On January 31, 2018, the CEO of the Company received 400,000 shares upon exercise of options for proceeds of \$45,000, and accordingly, the Company reallocated \$34,126 of contribution surplus to share capital.

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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 March 31, 2018.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Classification of financial instruments

Financial assets included in the statement of financial position are as follows:

	March 31, 2018	December 31, 2017
Loans and receivables:		
Cash	\$ 1,608,263	\$ 54,887
Accounts receivable	543,487	359,510
	\$ 2,151,750	\$ 414,397

Financial liabilities included in the statement of financial position are as follows:

	March 31, 2018	December 31, 2017
Non-derivative financial liabilities:		
Accounts payable	\$ 103,457	\$ 145,443
Lease obligations	851,569	462,119
	\$ 955,026	\$ 607,562

Fair value

Financial instruments measured at fair value are classified into one of 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 Company’s financial assets and liabilities as at March 31, 2018 and December 31, 2017 approximate their fair value due to their short terms 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 Company is exposed 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:

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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. Trade payables are generally insignificant.

Interest risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to limited interest rate risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company’s ability to continue as a going concern is dependent on management’s ability to raise the required capital through future equity or debt issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the directors are actively involved in the review, planning, and approval of significant expenditures and commitments.

Foreign exchange risk

The Company’s functional currency is the Canadian Dollar and major transactions are transacted in Canadian Dollars and US Dollars. The Company maintains a US Dollar bank account in Canada to support the cash needs of its operations. Management believes that the foreign exchange risk related to currency conversion is minimal and therefore does not hedge its foreign exchange risk.

Capital Management

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

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes to the Company’s approach to capital management during the period ended March 31, 2018.

CRITICAL ACCOUNTING ESTIMATES, ADOPTION OF ACCOUNTING POLICIES AND ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET ADOPTED

Please refer to the March 31, 2018 condensed consolidated interim financial statements on www.sedar.com for details.

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OUTSTANDING SECURITIES

Common Shares

At May 30, 2018, the Company had 66,087,712 common shares outstanding.

Stock Options

As at May 30, 2018, the following options were outstanding and exercisable:

Expiry Date	Number Outstanding	Exercise Price
April 21, 2019	25,000	\$ 0.26
May 10, 2019	50,000	\$ 0.10
July 5, 2019	200,000	\$ 0.23
December 8, 2019	400,000	\$ 0.19
December 12, 2019	30,000	\$ 0.20
January 5, 2020	100,000	\$ 0.20
May 5, 2020	100,000	\$ 0.14
June 1, 2020	400,000	\$ 0.16
October 11, 2022	300,000	\$ 0.08
November 14, 2022	100,000	\$ 0.10
November 17, 2022	150,000	\$ 0.16
November 28, 2022	550,000	\$ 0.18
December 6, 2022	1,100,000	\$ 0.17
January 21, 2023	2,100,000	\$ 0.32
May 1, 2023	550,000	\$ 0.23
	6,155,000	

Common Share Warrants

As at May 30, 2018, the following share purchase warrants were outstanding and exercisable:

Expiry Date	Number Outstanding	Exercise Price
September 30, 2018	396,361	\$ 0.30
October 10, 2019	1,241,480	\$ 0.075
October 24, 2019	4,330,750	\$ 0.075
January 12, 2020	12,661,781	\$ 0.20
	18,630,372	

OFF-BALANCE-SHEET ARRANGEMENTS

As of the date of this filing, the Company does not have any off-balance-sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company, including, and without limitation, such considerations as liquidity and capital resources.