Q3 2019

Condensed Consolidated Interim Financial Statements

Katipult Technology Corp. September 30, 2018

NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed consolidated interim financial statements of the Corporation have been prepared by and are the responsibility of the Corporation's management.

The Corporation's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of condensed consolidated interim financial statements.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at ($ thousands) - unaudited	Note	September 30, 2018	December 31, 2017
Assets			
Current assets			
Cash and cash equivalents		**2,875**	345
Marketable securities		**12**	-
Accounts receivable		**147**	76
Tax credit recoverable		**-**	6
Prepaid expenses		**7**	-
		3,041	427
Property and equipment		**6**	4
		3,047	431
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		**449**	235
		449	235
Convertible debentures - debt portion	4	**2,322**	-
		2,771	235
Shareholders' Equity			
Share capital	5	**1,621**	949
Contributed surplus		**121**	41
Convertible debentures - equity portion	4	**694**	-
Deficit		**(2,160)**	(794)
		276	196
		3,047	431

(See Notes to the Condensed Consolidated Interim Financial Statements)

Approved on behalf of the Board:

“signed” Jeff Dawson
Director

“signed” Brock Murray
Director

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

($ thousands, except per share amounts) - unaudited	Note	Three months ended September 30, 2018	2017	Nine months ended September 30, 2018	2017
Revenue	7	**310**	225	**950**	777
Cost of revenue	8	**81**	85	**248**	238
		229	140	**702**	539
Expenses					
Selling, general, and administrative	8	**463**	341	**1,290**	677
Research and development	8	**222**	104	**656**	251
Foreign exchange		**9**	6	**20**	9
Depreciation and amortization		**-**	-	**1**	-
Other income and expenses	9	**(3)**	476	**(3)**	466
		(462)	(787)	**(1,262)**	(864)
Finance costs	8	**96**	6	**142**	16
Loss before income taxes		**(558)**	(793)	**(1,404)**	(880)
Income taxes		**(38)**	-	**(38)**	-
Total comprehensive income (loss)		**(520)**	(793)	**(1,366)**	(880)
Earnings per share					
Net earnings					
Basic / Diluted		**(0.01)**	(0.02)	**(0.02)**	(0.04)

(See Notes to the Condensed Consolidated Interim Financial Statements)

CONSOLIDED STATEMENTS OF CHANGES IN EQUITY

For the nine months ended September 30, 2018 and 2017

($ thousands) - unaudited	Common Shares	Share Capital	Contributed surplus	Obligation to issue shares	Accumulated other Convertible debenture	Deficit	Total equity
Balance at December 31, 2017	**62,277,000**	**949**	**41**	**-**	**-**	**(794)**	**196**
Comprehensive income (loss)	**-**	**-**	**-**	**-**	**-**	**(1,366)**	**(1,366)**
Shares issued for warrants	**5,200,000**	**520**	**-**	**-**	**-**	**-**	**520**
Exercised stock options	**295,000**	**152**	**(64)**	**-**			**88**
Issuance of convertible debenture	**-**	**-**	**-**	**-**	**694**	**-**	**694**
Share-based payments	**-**		**144**	**-**		**-**	**144**
Balance at September 30, 2018	**67,772,000**	**1,621**	**121**	**-**	**694**	**(2,160)**	**276**
Balance at December 31, 2016	6,666	-	-	-	-	330	330
Comprehensive income (loss)	-	-	-	-	-	(880)	(880)
Cancellation of JOI's shares	(6,666)	-	-	-	-	-	-
Common shares issued and outstanding prior to RTO	19,200,000	925	-	-	-	-	925
Issuance of the shares to JOI shareholders at Exchange Ratio	42,400,000	-	-	-	-	-	-
Shares issued for finder's fee	200,000	-	-	-	-	-	-
Share subsciption received	-	-	-	41	-	-	41
Share issuance costs	-	(24)	-	-	-	-	(24)
Share-based payments	-	-	91	-	-	-	91
Balance at September 30, 2017	61,800,000	901	91	41	-	(550)	483

(See Notes to the Condensed Consolidated Interim Financial Statements)

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the nine months ended September 30,

($ thousands) - unaudited	Note	2018	2017
Cash flows provided by (used in)			
Operating activities			
Total comprehensive income (loss)		**(1,366)**	(880)
Adjustments for:			
Depreciation and amortization		**1**	-
Foreign exchange		**20**	9
Finance costs	8	**142**	16
Income taxes (recovery)		**(38)**	-
Bargain purchase price		**-**	484
Other		**144**	91
Income taxes - recovery		**38**	-
Interest - paid		**(4)**	(16)
Funds provided by (used in) operations		**(1,066)**	(295)
Change in non-cash working capital		**20**	(33)
		(1,046)	(328)
Investing activities			
Acquisition of business, net assets		**-**	519
Purchase of property and equipment		**(3)**	-
Investment in marketable securities, net		**(12)**	-
		(15)	519
Financing activities			
Proceeds from warrants		**520**	41
Proceeds from exercised stock options		**88**	-
Proceeds from convertible debenture, net of financing costs		**2,985**	-
Share issue and financing costs		**-**	(24)
		3,593	17
Effect of translation of foreign currency cash		**(2)**	-
Net (decrease) increase in cash		**2,530**	208
Cash and cash equivalents, beginning of period		**345**	188
Cash and cash equivalents, end of period		**2,875**	396

(See Notes to the Condensed Consolidated Interim Financial Statements)

1. STRUCTURE OF CORPORATION

Organization

Katipult Technology Corp. (the "Corporation" or "Katipult") is a technology company that aims to become a global leader in financial compliance software and investor administration related services. The Corporation is incorporated under the British Columbia Business Corporations Act. The registered address of the Corporation is 600, 777 Hornby Street, Vancouver, BC V6Z 1S4. Katipult is a publicly-traded company listed on the TSX Venture Exchange ("TSXV") under the symbol "FUND".

On May 25, 2017, the Corporation entered into a share exchange agreement (the "Agreement") with JOI Media Inc. ("JOI") pursuant to which the Corporation acquired all the outstanding common shares of JOI. JOI shareholders received 6,360.636064 shares of the Corporation for each JOI share. The transaction was completed on August 17, 2017 and JOI became a wholly-owned subsidiary of the Corporation. Following completion of the transaction, the Corporation continued the primary business of JOI. On August 11, 2017, the Corporation changed its name to "Katipult Technology Corp.".

Pursuant to the terms of the Agreement, and following satisfaction of certain conditions precedent, including receipt of all necessary director, shareholder, regulatory and TSXV approvals, the Corporation listed on the TSXV on November 15, 2017.

Further details of this transaction are described in note 3.

These condensed consolidated interim financial statements of the Corporation as at and for the three and nine months periods ended September 30, 2018, are available upon request from the Corporation, at www.katipult.com, or at www.sedar.com.

Operations

The main business of the Corporation is to operate as a financial technology company offering a cloud-based software infrastructure that allows firms to design, set up and operate an investment platform ("the Platform"). The Platform includes features and functionality that enables firms to offer securities on a prospectus-exempt basis to various types of investors. The Platform automates many components of investor and investment management including components of financial transactions, investment marketing, and dividend payouts as well as managing regulatory requirements in a variety of geographic jurisdictions.

Katipult works with its customers to customize the Platform during integration in order to design a white-labeled, investor-facing website. The Platform includes modules for various user types, including investors, issuers, administrators and auditors, among others. The administrators are selected by clients from their staff and are provided a content management system which allows them the ability to manipulate content on the Platform.

The Corporation provides its proprietary software through a "Software As A Service" ("SAAS") business model. The SAAS business model is well suited for cloud-based software solutions, especially ones that have a compelling ongoing need, like Katipult's products. In exchange for a monthly subscription, customers benefit from software updates, new features and technical support. The Corporation also earns integration revenue through one-time charges which vary depending on the size and complexity of the client's integration needs.

2. BASIS OF PREPARATION

Statement of compliance:

These condensed consolidated interim financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) applicable to the preparation of interim financial statements. These condensed consolidated interim financial statements were prepared using International Accounting Standard (IAS) 34 - Interim Financial Reporting as at and for the three and nine months periods ended September 30, 2018. These condensed consolidated interim financial statements were authorized for issuance by the Board of Directors as of November 26, 2018.

Other than the adoption of IFRS 9 and IFRS 15, both of which are described below, these condensed consolidated interim financial statements were prepared by management and follow the same accounting policies and methods as the audited consolidated financial statements as at and for the year-ended December 31, 2017, as described in Notes 2 and 3. These condensed consolidated interim financial statements do not contain all of the disclosures required for the annual consolidated financial statements. As a result, these condensed consolidated interim financial statements should be read in conjunction with the Corporation's previous annual consolidated financial statements for the year-ended December 31, 2017, prepared in accordance with IFRS as issued by the IASB.

Basis of measurement:

These condensed consolidated interim financial statements have been prepared on the historical cost basis.

Functional and presentation currency:

These condensed consolidated interim financial statements are presented in Canadian dollars, which is the Corporation's functional currency. All financial information presented in dollars has been rounded to the nearest thousand except for share and per share amounts.

Going concern:

These condensed consolidated interim financial statements have been prepared on the basis that the Corporation will continue as a going concern, which assumes that the Corporation will be able to raise the necessary capital on terms acceptable to the Corporation and be able to realize its assets and satisfy its liabilities in the normal course of business for the foreseeable future. Management is aware, in making its going concern assessment, of material uncertainties related to events and conditions that may cast significant doubt upon the Corporation's ability to continue as a going concern.

As at September 30, 2018, the Corporation's cash and cash equivalents were $2.9 million (December 31, 2017: $0.3 million) and the Corporation had a positive net working capital position of $2.6 million (December 31, 2017: $0.2 million).

While the Corporation has been able to demonstrate the ability to raise capital to fund its operations, the Corporation has not yet been able to generate the sales volumes required to create positive cash flows from operations. Whether and when the Corporation can generate sufficient operating cash flows to pay for its expenditures and settle its obligations as they fall due subsequent to September 30, 2018 is uncertain.

New Standards and Interpretations Adopted

A number of new standards and amendments to existing standards have been issued by the International Accounting Standards Board (IASB) that are effective after December 31, 2017 and therefore have been applied to these consolidated financial statements.

These new standards are as follows:

IFRS 9 - Financial Instruments: IFRS 9 addresses classification and measurement of financial assets and replaces the multiple category and measurement models for debt instruments in IAS 39 – Financial Instruments – Recognition and Measurement (IAS 39) with a new measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and related dividends which will now limit recognition to fair value through profit or loss or at fair value through other comprehensive income.

Requirements for financial liabilities were also added in October 2010 but they largely carried forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

The standard is required to be applied for years beginning on, or after, January 1, 2018. The Corporation has adopted this standard in the preparation of these statements. Management determined the impact of this adoption as being not material.

IFRS 15 – Revenue from Contracts with Customers: IFRS 15 replaces the previous guidance on revenue recognition and provides a framework to record revenue from contracts for the sale of goods or services, unless the contracts are in the scope of IAS 17 – Leases or other IFRS standards. Under IFRS 15, revenue is to be recognized to depict the transfer of goods or services in an amount that reflects the consideration to which the entity expects to be entitled following five steps:

1. Identify the contract with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when (or as) the entity satisfies a performance obligation

The new standard is effective for annual periods beginning on or after January 1, 2018, using either a full retrospective approach for all periods presented in the period or a modified retrospective approach. The Corporation has adopted the IFRS 15 standard in the preparation of these statements. Management determined the impact of this adoption as being not material.

3. REVERSE TAKEOVER

The Corporation did not meet the definition of a business at the time of the reverse takeover ("RTO"), as a result the transaction was outside of the scope of IFRS 3 Business Combinations, and the transaction was accounted for as a reverse acquisition under IFRS 2 Share-based payment.

Under this basis of accounting, the consolidated entity is considered to be a continuation of the Corporation, with the net identifiable assets of the Corporation deemed to have been acquired by JOI. The purchase consideration below was estimated based on the fair value of the Corporation's common shares that JOI would have paid to the Corporation pursuant to the reverse acquisition. Upon completion of the transaction, the fair value of all identifiable assets and liabilities acquired was determined. The carrying value of JOI's and the Corporation's assets and liabilities at the closing were assumed to approximate their fair values as at that date due to their short-term nature. The difference between fair value of the shares issued and the fair value of net assets acquired is recorded as a cost of public listing.

On May 25, 2017, the Corporation entered into an agreement with JOI pursuant to which the Corporation acquired all of the outstanding common shares of JOI in exchange for the issuance of Corporation shares to JOI shareholders on the basis of 6,360.636064 shares of the Corporation for each JOI share. The transaction was completed on August 17, 2017 and JOI became a wholly-owned subsidiary of the Corporation. Following completion of the transaction, the Corporation continued the primary business of JOI.

The following represents management's estimate of the fair value of the net assets acquired and total consideration transferred at August 17, 2017 as a result of the reverse acquisition:

Fair value of acquisition (19,200,000 shares at $0.05 per share)	925,440
Allocated as follows:	
Identified fair value of net assets:	
Cash	469,480
Prepaid deposits	50,000
Accounts payable	(43,300)
	476,180
Listing expense	449,260
	925,440

4. CONVERTIBLE DEBENTURES

As at **($ thousands) - unaudited**	**September 30, 2018**	December 31, 2017
Convertible debentures	**3,050**	-
Issuance cost	**(65)**	-
Accretion	**31**	-
	3,016	-
Convertible debentures - debt portion	**2,322**	-
Convertible debentures - equity portion	**694**	-

In the second quarter of 2018, the Corporation issued convertible debentures of $3.1 million with a five year maturity date. The convertible debenture was bifurcated into an equity and a debt portion by fair valuing the liability component, using an interest rate of 15%, and allocating the residual to the equity portion.

The convertible debentures have a variable interest charge based on the Corporation maintaining a monthly cash burn rate.

The interest rate is the lesser of:

a. 8.50% plus (0.50% x number of Shortfall Months) compounded quarterly; or
b. 12.00% per annum compounded quarterly

where number of Shortfall Months is equal to (twelve-(ending cash balance/three month average cash burn)).

As at September 30, 2018, the Corporation has been able to maintain the monthly cash burn rate and has accrued interest payable at the annual rate of 8.5% (compounded quarterly). The $3.1 million in convertible debentures can be converted into shares at the election of debenture holders at any time at a conversion price of $0.51 for a total of 5,980,393 shares.

As at September 30, 2018, the unpaid accrued interest payable of less than $0.1 million can be converted to shares at the election of the debenture holders at any time at the volume weighted average trading price per shares for common shares ten consecutive trading days ending on the trading day before the conversion date.

The convertible debentures are convertible by the Corporation if, on or before the five year maturity date, in any two consecutive calendar quarters the Corporation shall have achieved all of the following criteria:

a. positive EBITDA normalized for abnormal items;
b. revenue equal to at least $0.023 per issued and outstanding Common Share;
c. the volume weighted average trading price per share for Common Shares for the prior three months is equal to at least $0.41 per share; and
d. subscription-based recurring revenue equal to at least $0.017 per issue and outstanding Common Share.

Subsequent to period end, a convertible debenture holder elected to convert their $50,000 of convertible debentures plus accrued interest payable into 100,293 common shares.

5. SHARE CAPITAL

(a) Common shares

	Note	Number	$
Balance, December 31, 2015 and December 31, 2016		6,666	-
Cancellation of JOI's shares	6	(6,666)	-
Common shares issued and outstanding prior to RTO	6	19,200,000	925
Issuance of the shares to JOI shareholders at Exchange Ratio		42,400,000	-
Shares issued for finder's fee		200,000	-
Conversion of warrants to common shares		477,000	48
Share issuance costs		-	(24)
Balance, December 31, 2017		62,277,000	949
Conversion of warrants to common shares		**5,200,000**	**520**
Exercised stock options		**295,000**	**152**
Balance, September 30, 2018		**67,772,000**	**1,621**

At September 30, 2018, the Corporation was authorized to issue an unlimited number of common shares without par value. The holders of common shares are entitled to one vote per share and all shares rank equally with regard to the Corporation's residual assets.

(b) Contributed surplus

The contributed surplus reserve included in the Shareholders' Equity section of the Statement of Financial Position comprises all share-based payment transactions that do not involve the issuance of shares, private placement proceeds allocated to unexercised share purchase warrants, and unexercised stock options.

Warrants

The Corporation completed a special warrant financing by issuing 477,000 special warrants (the "Special Warrants") for gross proceeds of $0.1 million. The special warrants were deemed exercised on November 1, 2017 and converted into 477,000 common shares of the Corporation.

Prior to completion of the RTO, the Corporation had 5,200,000 warrants outstanding. Each warrant required the holder thereof to purchase one additional common share at a price of $0.10 on or before the date that was six months following the listing date of November 15, 2017. Unexercised warrants would have expired on May 15, 2018.

In the first quarter of 2018, the Corporation received proceeds of $0.3 million from warrant holders who exercised their warrants and acquired 3,100,000 common shares of the Corporation. In the second quarter of 2018, the Corporation received proceeds of $0.2 million from warrant holders who exercised their warrants and acquired 2,100,000 common shares of the Corporation.

At September 30, 2018, no warrants were outstanding and exercisable. (December 31, 2017: 5,200,000).

Options

The Corporation has adopted a stock option plan whereby a maximum of 10% of the issued and outstanding Shares, from time to time, may be reserved for issuance pursuant to the exercise of options. Under the terms of the stock option plan, options may be granted only to: (i) employees, officers, directors, and consultants of the Corporation; and (ii) employees, officers, directors, and consultants of an affiliate of the Corporation.

In the second quarter of 2018, 80,000 stock options were exercised, and 500,000 stock options were granted. In the third quarter of 2018, 215,000 stock options were exercised, and no stock options were granted. There were no such transactions in the first quarter of 2018.

As of September 30, 2018, 1,742,500 options were exercisable (December 31, 2017: 307,500). Further details on the stock options are disclosed in Note 7 to the December 31, 2017 consolidated financial statements.

6. EARNINGS PER SHARE

Basic earnings per share for the three and nine months periods ended September 30, 2018 and 2017 is based on the net earnings attributable to shareholders, as reported in the consolidated statements of operations and comprehensive income (loss), and the weighted average number of common shares outstanding in the periods.

Diluted earnings per share for the three and nine months periods ended September 30, 2018 and 2017 is based on the net earnings attributable to shareholders as reported in the consolidated statements of operations and comprehensive income (loss) and basic weighted average number of common shares outstanding in the periods:

	Three months ended September 30,		Nine months ended September 30,	
($ thousands, except per share amounts)	**2018**	2017	**2018**	2017
Weighted average of common shares				
Basic	**67,547,217**	29,560,000	**65,375,828**	9,966,031
Diluted	**67,547,217**	29,560,000	**65,375,828**	9,966,031

Potential common shares arising from the securities listed below were excluded from the weighted average number of common shares outstanding (diluted) for 2018 because they were antidilutive:

- 1,742,500 stock options; and
- Convertible debentures with a principal amount of $3.1 million which can be converted into common shares at $0.51 at the election of the debenture holders for a total of 5,980,393 shares and as at September 30, 2018, the unpaid accrued interest payable of less than $0.1 million which can be converted to shares at the election of the debenture holders at any time at the volume weighted average trading price per shares for common shares ten consecutive trading days ending on the trading day before the conversion date.

7. REVENUE

Subscription revenue refers to monthly recurring fees charged to clients for access to operate the hosting platform, software updates, new features and technical support. The Corporation views this revenue to be reasonably expected to be continually provided on a periodic basis.

Integration revenue refers to charges to new clients that are viewed by the Corporation to be non-recurring in nature for the implementation and on-boarding or upgrading of new or existing clients onto the Platform. The amount charged varies based on the complexity of the clients' needs.

8. EXPENSES BY NATURE

The Corporation presents certain expenses in the consolidated statements of operations and comprehensive income (loss) by function. The following table presents those expenses by nature:

($ thousands)	Three months ended September 30, 2018	2017	Nine months ended September 30, 2018	2017
Expenses				
Salaries, subcontractors, and benefits	**450**	274	**1,254**	738
Marketing and sales costs	**43**	9	**82**	16
Material and supplies	**-**	-	**1**	-
External services and professional fees	**207**	156	**668**	321
Bad debt expense	**22**	-	**45**	-
Share-based payment	**44**	91	**144**	91
	766	530	**2,194**	1,166
Allocated to:				
Cost of revenue	**81**	85	**248**	238
Selling, general, and administrative	**463**	341	**1,290**	677
Research and development	**222**	**104**	**656**	**251**
	766	426	**2,194**	915
Finance costs				
Bank related charges	**9**	6	**21**	14
Interest on convertible debentures	**64**	-	**86**	-
Accretion on convertible debentures	**23**	-	**31**	-
Other interest and charges	**-**	-	**4**	2
	96	6	**142**	16

9. OTHER INCOME AND EXPENSES

($ thousands)	Three months ended September 30, 2018	2017	Nine months ended September 30, 2018	2017
Listing changes	**-**	484	**-**	484
Interest and other income	**(3)**	(1)	**(3)**	(1)
Government (grant) repayment	**-**	(7)	**-**	(17)
	(3)	476	**(3)**	466

10. SUBSEQUENT EVENTS

On October 16, 2018, a convertible debenture holder elected to convert their principal amount of $50,000 of convertible debentures plus $2,254 of accrued interest into 100,293 common shares.

On October 17, 2018, 37,500 stock options were exercised.

On October 26, 2018, the Corporation granted restricted share units (the "RSUs") under the Corporation's Restricted Share Unit Plan (the "Plan") to each of its five independent directors (the "RSU Recipients"). In aggregate, 443,557 RSUs were granted. These grants represent compensation to the RSU Recipients for their service on the board of directors of the Corporation and as an incentive mechanism to foster the interest of such persons in the success of the Corporation. None of the RSU Recipients currently receive any other form of compensation from the Corporation for their service as independent directors, whether in cash or by way of equity or stock options.

Each RSU represents the right to receive one common share upon vesting. All of the RSUs will vest upon the date the Corporation holds its 2019 annual general meeting of shareholders, subject to the terms and conditions set forth in the RSU plan.