



Q1 2019

Condensed Consolidated Interim Financial Statements

Katapult Technology Corp.

March 31, 2019

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		March 31,	December 31,
(\$ Cdn thousands) - unaudited	Note	2019	2018
Assets			
Current assets			
Cash and cash equivalents		2,346	2,539
Accounts receivable		61	67
Prepaid expenses		8	12
Total current assets		<u>2,415</u>	2,618
Property and equipment		5	6
Total assets		<u>2,420</u>	2,624
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		335	392
Deferred revenue		7	32
Total current liabilities		<u>342</u>	424
Convertible debentures	3	<u>3,217</u>	3,153
Total liabilities		<u>3,559</u>	3,577
Shareholders' Equity (Deficiency)			
Share capital	4	1,687	1,687
Contributed surplus	4	360	227
Deficit		<u>(3,186)</u>	(2,867)
Total shareholders' equity (deficiency)		<u>(1,139)</u>	(953)
Total liabilities and shareholders' equity (deficiency)		<u>2,420</u>	2,624

(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 LOSS

For the three months ended March 31,

(\$ Cdn thousands, except per share amounts) - unaudited

	Note	2019	2018
Revenue	6	463	312
Cost of revenue	7	86	82
Gross profit		377	230
Expenses			
Selling, general, and administrative	7	494	287
Research and development	7	254	184
Foreign exchange		2	1
Depreciation and amortization		1	-
Other income and expenses	8	(128)	-
Net loss before finance costs		(246)	(242)
Finance costs	7	73	8
Total comprehensive loss		(319)	(250)
Loss per share			
Basic / Diluted	5	(0.00)	(0.00)

(See Notes to the Condensed Consolidated Interim Financial Statements)



CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the three months ended March 31, 2019 and 2018
(\$ Cdn thousands, except per share amounts) - unaudited

	Note	Common Shares	Share Capital	Contributed surplus	Deficit	Total equity (deficiency)
Balance at December 31, 2018		67,909,793	1,687	227	(2,867)	(953)
Comprehensive loss		-	-	-	(319)	(319)
Share-based payments	7	-	-	133	-	133
Balance at March 31, 2019		67,909,793	1,687	360	(3,186)	(1,139)
Balance at December 31, 2017		62,277,000	949	41	(794)	196
Comprehensive loss		-	-	-	(250)	(250)
Shares issued on exercise of warrants		3,100,000	310	-	-	310
Share-based payments		-	-	24	-	24
Balance at March 31, 2018		65,377,000	1,259	65	(1,044)	280

(See Notes to the Condensed Consolidated Interim Financial Statements)



CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three months ended March 31,

(\$ Cdn thousands) - unaudited

	Note	2019	2018
Cash flows provided by (used in)			
Operating activities			
Total comprehensive loss		(319)	(250)
Adjustments for:			
Depreciation and amortization		1	-
Foreign exchange		2	1
Finance costs	7	73	8
Stock based compensation	7	133	24
Other		(5)	-
Interest - paid		(9)	(3)
Interest - received		5	-
Funds provided by (used in) operations		(119)	(220)
Change in non-cash working capital		(72)	(28)
Total funds used in operating activities		(191)	(248)
Investing activities			
Purchase of property and equipment		-	(3)
Total funds used in investing activities		-	(3)
Financing activities			
Proceeds from warrants		-	310
Total funds provided by financing activities		-	310
Effect of translation of foreign currency cash		(2)	-
Net (decrease) increase in cash		(193)	59
Cash and cash equivalents, beginning of period		2,539	345
Cash and cash equivalents, end of period		2,346	404

(See Notes to the Condensed Consolidated Interim Financial Statements)



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(\$ Cdn thousands, except as noted)

1. STRUCTURE OF CORPORATION

Organization

Katapult Technology Corp. (the "Corporation" or "Katapult") 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. Katapult is a publicly traded company listed on the TSX Venture Exchange ("TSXV") under the symbol "FUND".

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.

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 Katapult's products. In exchange for a monthly subscription, customers benefit from software updates, new features and technical support. The Corporation also earns integration revenue from activities including the provision of regulatory consulting, marketing, and the customization services of the Platform, for which one-time charges are made which vary depending on the work involved.

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 months period ended March 31, 2019. These condensed consolidated interim financial statements were authorized for issuance by the Board of Directors as of May 23, 2019.

Other than the adoption of IFRS 16, which is 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, 2018, as described in Notes 18, 19, and 20. These condensed consolidated interim financial statements do not contain all of the disclosures required for



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(\$ Cdn thousands, except as noted)

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, 2018, 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 March 31, 2019, the Corporation's cash and cash equivalents were \$2,346 (December 31, 2018: \$2,539) and the Corporation had a positive net working capital position of \$2,073 (December 31, 2018: \$2,194). However, the Corporation had a net loss for the three months ended March 31, 2019 of \$303 (2018: \$250) and has a deficit of \$3,170 at March 31, 2019 (2018: \$2,867).

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 March 31, 2019 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, 2018 and therefore have been applied to these consolidated financial statements.

These new standards are as follows:

IFRS 16 – Leases: IFRS 16 replaces the previous guidance on lease recognition and establishes principles for recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. The new standard brings most leases onto the statement of financial position for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting, however, will remain largely unchanged.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(\$ Cdn thousands, except as noted)

The standard has been adopted beginning on January 1, 2019 with no change to comparative information presented under IAS 39. The Corporation has adopted this standard in the preparation of these statements. Management determined the impact of this adoption as being not material.

3. CONVERTIBLE DEBENTURES

(\$ Cdn thousands) - unaudited	\$
Balance, December 31, 2017	-
Convertible debentures issued	3,050
Interest accrued	155
Shares issued on exercise of convertible debentures	(52)
Balance, December 31, 2018	3,153
Interest accrued	64
Balance, March 31, 2019	3,217

In the second quarter of 2018, the Corporation issued convertible debentures of \$3,050 with a five-year maturity date. The debenture may be extended beyond the maturity date by the holder, in which case the debenture will become due 12 months after receiving notice from the holder.

In the fourth quarter of 2018, a convertible debenture holder elected to convert their \$50 of convertible debentures plus accrued interest payable into 100,293 common shares.

The convertible debentures are hybrid contracts with multiple embedded derivatives. The Corporation has designated the entire hybrid contract as at fair value with adjustments recorded to finance costs in the profit or loss.

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

The interest rate is the lesser of:

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

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

As at March 31, 2019, the Corporation had been able to maintain the monthly cash burn rate such that the accrued annual rate of interest payable in the period was 8.5% (compounded quarterly). The \$3,000 in convertible debentures can be converted into shares at the election of debenture holders at any time at a conversion price of \$0.51 (December 31, 2018: \$3,000).

As at March 31, 2019, the unpaid accrued interest payable of \$217 (December 31, 2018: \$153) 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 over ten consecutive trading days ending on the trading day before the conversion date.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(\$ Cdn thousands, except as noted)

4. SHARE CAPITAL

(a) Common shares

(\$ Cdn thousands) - unaudited	Note	Number	\$
Balance, December 31, 2017		62,277,000	949
Shares issued on exercise of warrants		5,200,000	520
Shares issued on exercise of convertible debentures		100,293	52
Shares issued on exercise of stock options		332,500	166
Balance, December 31, 2018 and March 31, 2019		67,909,793	1,687

At March 31, 2019, 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 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.

(c) Warrants

In the first quarter of 2018, the Corporation received proceeds of \$310 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 \$210 from warrant holders who exercised their warrants and acquired 2,100,000 common shares of the Corporation.

At December 31, 2018 and March 31, 2019, no warrants were outstanding.

(d) 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. In the fourth quarter of 2018, 37,500 stock options were exercised, and no stock options were granted. There were no such transactions in the first quarter of 2018 and 2019.

As of March 31, 2019, 2,882,500 options were exercisable (December 31, 2018: 2,300,000).



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(\$ Cdn thousands, except as noted)

(e) Restricted Share Unit Plan

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") on October 26, 2018. In aggregate, 443,547 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 of the Corporation 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 Plan. The RSUs are valued at \$0.63 per RSU, being the value of the Corporation's common shares on the issuance date.

There were no such transactions in the first quarter of 2019.

5. EARNINGS PER SHARE

Basic earnings per share for the three months period ended March 31, 2019 and 2018 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 months period ended March 31, 2019 and 2018 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:

For the three months ended March 31,		
(\$ Cdn thousands, except per share amounts)	2019	2018
Weighted average of common shares		
Basic	67,909,793	62,897,000
Diluted	67,909,793	62,897,000

Potential common shares arising from the securities listed below were excluded from the weighted average number of diluted common shares outstanding for 2019 because they were antidilutive:

- 3,282,500 stock options;
- Convertible debentures with a principal amount of \$3,000 which can be converted into common shares at \$0.51 at the election of the debenture holders for a total of 5,882,353 shares and as at March 31, 2019, the unpaid accrued interest payable of \$217 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; and
- 443,547 restricted share units.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(\$ Cdn thousands, except as noted)

6. REVENUE

For the three months ended March 31, (\$ Cdn thousands)	2019	2018
Subscription revenue	303	126
Integration revenue	160	186
Total revenue	463	312

The Corporation presents revenue in two major categories: subscription revenue and integration revenue. Subscription revenue consists primarily of monthly recurring SAAS revenue earned by providing access to the Platform. Integration revenue consists of revenue arising from the provision of regulatory consulting, marketing consulting, and customization services to clients.

7. 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:

For the three months ended March 31, (\$ Cdn thousands)	2019	2018
Expenses		
Salaries, subcontractors, and benefits	447	342
Marketing and sales costs	29	9
External services and facilities	187	178
Bad debt expense	38	-
Share-based payments	133	24
Total expenses	834	553
Allocated to:		
Cost of revenue	86	82
Selling, general, and administrative	494	287
Research and development	254	184
Total expenses	834	369
Finance costs		
Bank related charges	9	5
Interest on convertible debentures	64	-
Other interest and charges	-	3
Total finance costs	73	8



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(\$ Cdn thousands, except as noted)

8. OTHER INCOME AND EXPENSES

For the three months ended March 31, (\$ Cdn thousands)	2019	2018
Interest and other income	(102)	-
Government (grant) repayment	(26)	-
Total other income and expenses	(128)	-

In the first quarter of 2019, the Corporation received a cash prize of \$96 (SGD 100) from the 2018 Singapore FinTech Festival which has been included in interest and other income.

9. SUBSEQUENT EVENT

Subsequent to period end, 40,323 RSUs were granted to the Board Secretary for his service to the board of directors of the Corporation. These 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 Plan. The RSUs are valued at \$0.18 per RSU, being the value of the Corporation's common shares on the issuance date.