Q2 2019

Management Discussion & Analysis

Katipult Technology Corp. June 30, 2019

The discussion and analysis of the financial condition and results of operations of the Corporation is prepared as at August 12, 2019 and should be read in conjunction with the unaudited condensed consolidated interim financial statements of Katipult Technology Corp., and the notes thereto, for the three and six months ended June 30, 2019, and with the audited consolidated financial statements of Katipult Technology Corp., and the notes thereto, for the year ended December 31, 2018.

All financial information is presented in thousands of Canadian dollars, except share and per share data, and where otherwise indicated.

MANAGEMENT DISCUSSION AND ANALYSIS

The following management discussion and analysis (MD&A) of the unaudited consolidated financial condition and consolidated results of operations is intended to help the reader understand the current and prospective consolidated financial position and consolidated operating results of Katipult Technology Corp. (the "Corporation" or "Katipult"). The MD&A discusses the operating and financial results for the three and six months periods ended June 30, 2019, is dated August 12, 2019, and takes into consideration information available up to that date.

The MD&A is based on the unaudited condensed consolidated interim financial statements of Katipult for the three- and six-months ended June 30, 2019. The MD&A should be read in conjunction with the unaudited condensed consolidated interim financial statements and related notes for the three and six months periods ended June 30, 2019, and the audited annual consolidated financial statements and related notes for the year ended December 31, 2018, prepared in accordance with International Financial Reporting Standards (IFRS). The Corporation's audited consolidated financial statements and unaudited condensed consolidated interim financial statements have been prepared on the "going concern" basis, which presumes that the Corporation will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

Additional information is available on Katipult's website (www.katipult.com) and all previous public filings, are available through SEDAR (www.sedar.com). All amounts are denominated in Canadian dollars ($) unless otherwise identified. All amounts are stated in thousands unless otherwise identified.

FORWARD-LOOKING STATEMENTS

The MD&A contains certain forward-looking statements relating to the Corporation's plans, strategies, objectives, expectations and intentions. The use of any of the words "expect", "anticipate", "continue", "estimate", "objective", "ongoing", "may", "will", "project", "should", "believe", "plans", "intends", "confident", "might" and similar expressions are intended to identify forward-looking information or statements. Various assumptions were used in drawing the conclusions or making the projections contained in the forward-looking statements throughout this MD&A. The forward-looking information and statements included in this MD&A are not guarantees of future performance and should not be unduly relied upon. Forward-looking statements are based on current expectations, estimates, and projections that involve a number of risks and uncertainties, which could cause actual results to differ materially from those anticipated and described in the forward-looking statements. Such information and statements involve known and unknown risks, uncertainties, and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information or statements.

In particular, but without limiting the foregoing, this MD&A may contain forward-looking information and statements pertaining to the fluctuations in the demand for the Corporation's services; the ability for the Corporation to attract and retain qualified personnel; the existence of competitors; technological changes and developments; the existence of operating risks inherent in the financial technology ("fintech") industry; assumptions regarding foreign currency exchange rates and interest rates; the existence of regulatory and legislative uncertainties; the possibility of changes in tax laws and general economic conditions including the capital and credit markets; assumptions made about future performance and operations. The Corporation cautions that the foregoing list of assumptions, risks, and uncertainties is not exhaustive. The forward-looking information and statements contained in this MD&A speak only as of the date of this MD&A and the Corporation assumes no obligation to publicly update or revise them to reflect new events or circumstances, except as may be required pursuant to applicable securities laws.

FINANCIAL AND OPERATION HIGHLIGHTS

	Three months ended June 30,		Six months ended June 30,	
($ thousands)	**2019**	2018	**2019**	2018
Subscription revenue [(1)]	**307**	137	**610**	263
Integration revenue [(1)]	**77**	191	**237**	377
Total revenue	**384**	328	**847**	640
Gross profit [(1)]	**306**	243	**683**	473
Gross profit - percentage [(1)]	**79.7%**	74.1%	**80.6%**	73.9%
Adjusted EBITDA [(1)]	**(224)**	(472)	**(462)**	(689)
Net loss	**(343)**	(596)	**(662)**	(846)
Total comprehensive income (loss)	**(343)**	(596)	**(662)**	(846)

131.9% Year over Year Increase in Subscription Revenue and 124.1% Quarter over Quarter Increase in Subscription Revenue [(1)]

Subscription revenue in the second quarter of 2019 increased 124.1% to $307 and 131.9% in the six months ended June 30, 2019 to $610, compared the respective prior periods (2018: $137 and $263). The Corporation continues generating recurring revenue and steadily transitioning its revenue stream to subscription-based revenue. Subscription revenues in the second quarter of 2019 were the Corporation's highest-ever recorded quarterly subscription revenues and this was the sixth consecutive quarter of growth in subscription revenue.

Integration revenue was $77 in the second quarter of 2019 which is 59.7% lower than revenue for the same period in 2018. The Corporation is shifting is sales posture from responding to market inquiries to actively pursuing larger, more established clients. This is a deliberate change by Katipult to move up market and to demonstrate our value proposition in the enterprise market.

Continued investment and growth impacts Earnings and Net earnings [(1)]

The gross margin percentage increased to 79.7% in the second quarter of 2019 (2018: 74.1%). The Corporation has maintained a gross margin percentage over 70.0% for the past seven quarters. The higher gross margin in the second quarter of 2019 is the result of increased revenue and streamlined service costs. The Corporation continually evaluates operations as it seeks to drive efficient operations. These efforts resulted in some reduction of expense that has reduced the losses in second quarter of 2019.

The total research and development costs decreased by 15.2% in the second quarter of 2019 which reduced Adjusted EBITDA losses to negative $225 (2018: negative $471). The Corporation continues to strategically and measuredly invest in its research and development to improve the product's functions, features and end user experience

The Corporation's net loss and comprehensive loss decreased in the second quarter of 2019 to $343, compared to the second quarter of 2018's net loss and comprehensive loss of $596. The decrease is mainly due to higher revenue, improved gross margin, and the Corporation's ongoing efforts to drive efficient operations. The Corporation incurred additional financing costs of $40 from interest costs related to the convertible debenture.

[1)] See Non-GAAP measures and additional GAAP measures

Addition of Board Secretary

On May 15, 2019, Katipult announced the appointment of Michael D. Sharpe as Board Secretary. Michael is a Securities Industry Consultant located in Toronto, Ontario and has been Corporate Secretary of Solium Capital Inc. since 2011. Mr. Sharpe was Senior Vice President, General Counsel and Chief Compliance Officer of Richardson Partners Financial Limited, an independent wealth management firm, responsible for Legal, Compliance, Credit and Internal Audit functions from 2003 to 2009. Mr. Sharpe was Vice-President, Head of Canada Compliance at CIBC from 1999 to 2001 and was responsible for all Canadian compliance functions including trading floor compliance and wealth management compliance. Mr. Sharpe was the Director of Compliance and Corporate Secretary of RBC Dominion Securities Inc. and was responsible for global compliance at RBC Dominion Securities from 1991 to 1999. He joined RBC Dominion Securities in 1988 as Corporate Secretary and became Chief Compliance Officer in 1991. Mr. Sharpe was called to the bar in 1980 in Alberta and Ontario and practiced securities and corporate law in Calgary and Toronto.

OUTLOOK AND GUIDANCE

This Outlook and Guidance contains forward-looking statements that the Corporation does not intend, and does not assume any obligation, to update, except as required by law. The forward-looking information and statements include:

- The current economic climate and its effect on the Corporation's client base business;
- The Corporation's ability to successfully acquire new customers;
- The Corporation's ability to successfully implement its technology; and
- Management's assumptions regarding the sustainability of recurring revenue streams and the Corporation's expected profitability.

The Corporation is taking a financially prudent and measured approach in building out its sales and marketing initiatives. Katipult is focusing on fewer client acquisitions but aiming to acquire more established, larger clients, as part of a deliberate strategy at Katipult to move up market, demonstrate our value proposition in the enterprise market and drive subscription revenue growth.

While the Corporation intends to continue investing in research and development initiatives that improve the product's functions, features and end user experience, the focus going forward will be on strengthening and deepening the management team, increasing sales efforts, ensuring a more focused product offer to the market, building brand recognition, continuing to improve the onboarding and customization activities and exploring ways to accelerate the sale-cycle. The Corporation is pursuing initiatives to rationalize and where appropriate upgrade its technical support and back-office infrastructure so that it can cost-effectively scale and support growth.

The Corporation recently announced it had entered into an agreement with an independent Canadian investment dealer for the deployment of its platform for the automation of the electronic execution and delivery of documents for private placements. The platform is currently operational and being tested by the dealer. As a result of the significant efforts expended in further developing the Katipult platform to this market need, the Corporation is actively canvassing other capital market opportunities for its expanded platform.

CORPORATE PROFILE

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".

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 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 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.

NON-GAAP MEASURES AND ADDITIONAL GAAP MEASURES

Throughout this document, reference is made to "gross profit", "working capital", and "Adjusted EBITDA", which are all non-IFRS measures. Management believes that gross profit, defined as revenue less Cost of Revenue expenses, is a useful supplemental measure of operations. Management believes that working capital, defined as current assets less current liabilities, is an indicator of the Corporation's liquidity and its ability to meet its current obligations. While EBITDA, which is earnings before finance costs, tax, and depreciation and amortization, is a useful measure, Management believes that Adjusted EBITDA may be a more appropriate measure for comparing results from one period to another as Adjusted EBITDA normalizes earnings to exclude certain non-operating and extraordinary amounts. Readers are cautioned that these non-IFRS measures may not be comparable to similar measures used by other companies. Readers are also cautioned not to view these non-IFRS financial measures as an alternative to financial measures calculated in accordance with International Financial Reporting Standards ("IFRS").

RESULTS OF OPERATIONS

($ thousands)	Three months ended June 30, 2019	2018	Six months ended June 30, 2019	2018
Subscription revenue [1]	**307**	137	**610**	263
Integration revenue [1]	**77**	191	**237**	377
	384	328	**847**	640
Cost of revenue	**78**	85	**164**	167
Gross profit [1]	**306**	243	**683**	473
Gross profit - percentage [1]	**79.7%**	74.1%	**80.6%**	73.9%

Subscription revenue increased by $170 in the second quarter of 2019, compared to the second quarter of 2018, and $347 compared to the six months ended June 30, 2018. The second quarter of 2019 marked the Corporation's highest recorded quarterly subscription revenue and its sixth consecutive quarter of growth in subscription revenue.

Integration revenue varies depending on the amount and complexity of the work involved and is viewed by the Corporation to be one-time in nature. Integration revenue was $77 and $237 for the three and six months ended June 30, 2019 (2018: $191 and $377). The Corporation is focusing on targeting fewer but more established larger clients as part of a deliberate strategy at Katipult to move up market, and in the enterprise market.

The gross margin percentage increased to 79.7% in the second quarter of 2019 (2018: 74.1%). The Corporation has maintained a gross margin percentage over 70.0% for the past seven quarters. The higher gross margin in the second quarter of 2019 is the result of cost reduction and increasing in revenue. The Corporation continually evaluates operations as it seeks to drive efficient operations. These efforts have resulted in some reduction of expense that has reduced the losses in second quarter of 2019.

SELLING, GENERAL, AND ADMINISTRATION

($ thousands)	Three months ended June 30, 2019	2018	Six months ended June 30, 2019	2018
Selling, general, and administrative less share-based payments and bad debt expense	**313**	442	**636**	705
Bad debt expense	**5**	23	**43**	23
Share-based payments	**129**	75	**262**	99
Selling, general, and administrative	**447**	540	**941**	827

The total selling, general and administration expenses less share-based payments and bad debt expense decreased by $129 and $69 for the three and six months ended June 30, 2019, compared to the previous comparative periods as a result of the Corporation's focus on streamlining business processes and ongoing efficiencies.

Included in the SG&A expenses is share-based payments of $129 in the period (2018: $76) which is comprised of stock-based payments for the RSUs granted in the fourth quarter of 2018 and second quarter of 2019, and the stock options granted in the second quarter of 2018. The expense is driven by the issuance and timing of vesting of stock options and restricted share units and their deemed value. This is a non-cash expense.

RESEARCH AND DEVELOPMENT

	Three months ended June 30,		Six months ended June 30,	
($ thousands)	**2019**	2018	**2019**	2018
Research and development	**212**	250	**466**	434

The Corporation continues to invest in its research and development to improve its quality of service and enhance the functionality that its clients derive from the Corporation's Platform.

Research and development expenses for the three months ended June 30, 2019 decreased by 15.2% to $212 when compared to the same period in 2019. The decrease is the result of the Corporation streamlining its business processes and ongoing efficiency efforts. Research and development expense for the six months period ended June 30, 2019 was $466 (2018: $434).

FOREIGN EXCHANGE

	Three months ended June 30,		Six months ended June 30,	
($ thousands)	**2019**	2018	**2019**	2018
Foreign exchange - realized	**-**	(2)	**(5)**	(1)
Foreign exchange - unrealized	**14**	12	**21**	12
Foreign exchange	**14**	10	**16**	11

Foreign exchange gains and losses are the result of foreign currency fluctuations during the period and the timing of when items are settled. Foreign exchange gains and losses fluctuate quarterly primarily in relation to changes in the US/Canadian and Euro/Canadian exchange rate.

FINANCE COSTS

	Three months ended June 30,		Six months ended June 30,	
($ thousands)	**2019**	2018	**2019**	2018
Bank related charges	**10**	7	**19**	12
Interest on convetible debentures	**65**	22	**129**	22
Other interest and charges	**3**	1	**3**	4
Finance costs	**78**	38	**151**	46

Finance costs have increased in the second quarter of 2019 compared to prior year same period mainly due to the addition of convertible debenture accrued interest and, to a lesser extent, costs of increased transactions in the period. The interest on convertible debentures is a non-cash item as the interest is accrued to maturity. For additional information on the convertible debentures please refer to note 3 of the unaudited condensed consolidated interim financial statements for the six months ended June 30, 2019.

OTHER INCOME AND EXPENSES

	Three months ended June 30,		Six months ended June 30,	
($ thousands)	**2019**	2018	**2019**	2018
Interest and other income	**(5)**	-	**(107)**	-
Government (grant) repayment	**(97)**	-	**(123)**	-
Total other income and expenses	**(102)**	-	**(230)**	-

Other income and expenses contain items that occur outside of the normal operating activities of the Corporation.

Other income and expenses in three and six months ended June 30, 2019 included amounts that related to government grants and interest earned in those periods.

No such income or expenses were incurred in the three and six months ended June 30, 2018.

NET EARNINGS, TOTAL COMPREHENSIVE INCOME (LOSS), AND CASH FLOWS

For the three months ended June 30,		
($ thousands)	**2019**	2018
Adjusted EBITDA [(1)]	**(224)**	(472)
Total comprehensive income (loss)	**(343)**	(596)
Funds provided (used in) by operations [(1)]	**(135)**	(472)
Cash flow provided (used in) by operations	**(223)**	(341)

The Corporation's net loss and comprehensive loss was $343 and $662 for the three and six months ended June 30, 2019 (2018: $596 and $846).

Adjusted EBITDA was negative $224 in the second quarter of 2019 compared to negative $462 in the same period last year. The lower loss is the result of higher revenues, higher gross margin and lower costs.

The Corporation's funds provided by (used in) operations decreased in the second quarter of 2019 compared to second quarter of 2018 mostly the result of the above noted reasons

[(1)] See Non-GAAP measures and additional GAAP measures

FINANCIAL AND OPERATING HIGHLIGHTS - QUARTERLY ANALYSIS

	2019		2018				2017	
($ Cdn thousands)	**Q2**	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Subscription revenue [1]	**307**	303	251	188	137	126	98	142
Integration revenue [1]	**77**	160	24	122	191	186	261	83
Total revenue	**384**	463	275	310	328	312	359	225
Gross profit [1]	**306**	377	201	229	243	230	269	140
Gross profit - percentage [1]	**79.7%**	81.4%	73.1%	73.9%	74.1%	73.7%	74.9%	62.2%
Adjusted EBITDA [1]	**(224)**	(238)	(511)	(411)	(472)	(217)	(316)	(214)
Net loss and comprehensive loss	**(343)**	(319)	(707)	(520)	(596)	(250)	(244)	(793)

LIQUIDITY AND CAPITAL RESOURCES

Working capital

As at **($ Cdn thousands) - unaudited**	**June 30, 2019**	December 31, 2018	Increase (decrease) in working capital
Current assets			
Cash and cash equivalents	**2,119**	2,539	(420)
Accounts receivable	**137**	67	70
Prepaid expenses	**6**	12	(6)
	2,262	2,618	(356)
Current liabilities			
Accounts payable and accrued liabilities	**331**	**392**	(61)
Deferred revenue	**7**	**32**	(25)
	338	**424**	(86)
Working capital [1]	**1,924**	**2,194**	(270)

The key driver of the change in working capital is the decrease in cash and cash equivalents of $420 related to research and development projects, offset by the an increase in accounts receivable of $70, and a decrease of $61 in accounts payable and accrued liabilities.

Liquidity

At June 30, 2019, the Corporation had $2,119 (December 31, 2018: $2,539) cash on hand.

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 June 30, 2019 is uncertain.

[1] See Non-GAAP measures and additional GAAP measures

The Corporation considers the items included in capital to include shareholders' equity (deficiency). The Corporation manages its capital structure and makes adjustments to it in light of changes in economic and business conditions, financing environment and the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Corporation may issue new shares, new debt, or scale back the size and nature of its operations. The Corporation is not subject to externally imposed capital requirements.

Management anticipates that its current level of cash flow from operations is sufficient to meet its existing operational obligations but intends to regularly review its level of capital resources and actively manage its affairs. This review will consider factors such as the current economic environment, changes in demand for the Corporation's services, capital spending requirements, foreign exchange rates, working capital needs, and profitability of the Corporation's operations, any of which could materially affect the Corporation's ability to meet its obligations.

Additional financing may be necessary in a variety of circumstances, including the requirement of working capital to ramp up operations required by growth, the occurrence of adverse circumstances, the need to refinance existing debt or to redeem the convertible debentures, or the decision to expand geographically into new markets or by acquisition. It is anticipated that the financing may be raised by bank debt, other forms of debt, or the issue of equity. It is possible that such financing will not be available, or if available, will not be available on favorable terms.

SHAREHOLDERS' EQUITY

Issued and Outstanding

Number of common shares	Issued
Balance, December 31, 2017	62,277,000
Shares issued on exercise of warrants	5,200,000
Conversion of convertible debentures to common shares	100,293
Shares issued on exercise of stock options	332,500
Balance as at December 31, 2018, June 30, 2019, and August 12, 2019	67,909,793

Common shares

At June 30, 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.

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.

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 June 30, 2019, no warrants were outstanding.

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.

There were no stock options transactions in the first quarter of 2018. 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 three and six months ended June 30, 2019.

As of June 30, 2019, 3,015,833 options were exercisable (December 31, 2018: 2,882,500).

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. RSUs are valued based on the five-day average preceding the grant date. These RSUs were valued upon grant at $0.63 per RSU, being the value of the Corporation’s common shares on the issuance date.

On May 16, 2019, the Corporation announced the addition of Board Secretary, Michael D. Sharpe. 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. These RSUs were valued upon grant at $0.18 per RSU, being the value of the Corporation’s common shares on the issuance date.

SUBSEQUENT EVENT

On July 15, 2019, the Corporation announced it had entered into an agreement with an independent Canadian investment dealer for the deployment of its platform for the automation of the electronic execution and delivery of documents for private placements. The platform is currently operational and being tested by the dealer.

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	**129**
Balance, June 30, 2019	**3,282**

In the second quarter of 2018, the Corporation issued convertible debentures of $3,050 with a five-year maturity date. Debentures may be extended beyond the maturity date by the holder, in which case such 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:

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

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

As at June 30, 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 outstanding $3,000 in convertible debentures can be converted into shares at the election of the debenture holders at any time at a conversion price of $0.51.

As at June 30, 2019, the unpaid accrued interest payable of $284 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.

COMMITMENTS AND CONTINGENCIES

As of June 30, 2019, and as of the date of this MD&A, and in the normal course of business, other than in relation to the convertible debenture financing, the Corporation has no material obligations to make future payments, representing contracts and other commitments that are known and committed.

NON-GAAP MEASURES DEFINITIONS

This MD&A contains references to certain financial measures and associated per share data that do not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. These financial measures are computed on a consistent basis for each reporting period and include EBITDA, Adjusted EBITDA, and working capital.

These non-GAAP measures are identified and defined as follows:

"**Adjusted EBITDA**" is a measure of the Corporation's operating profitability. Adjusted EBITDA provides an indication of the results generated by the Corporation's principal business activities prior to how these activities are financed (including mark-to-market movements of the convertible debenture value), assets are depreciated and amortized or how the results are taxed in various jurisdictions, prior to the effect of foreign exchange, other income and expenses, and non-cash share-based payment expense. Adjusted EBITDA is not intended to represent net earnings as calculated in accordance with IFRS.

Adjusted EBITDA is calculated as follows:

	Three months ended June 30,		**Six months ended June 30,**	
($ thousands)	**2019**	2018	**2019**	2018
Net loss	**(343)**	(596)	**(662)**	(846)
Plus:				
Depreciation and amortization	**-**	1	**1**	1
Finance costs	**78**	38	**151**	46
Foreign exchange	**14**	10	**16**	11
Share-based payments	**129**	75	**262**	99
Other income and expenses	**(102)**	-	**(230)**	-
Adjusted EBITDA	**(224)**	(472)	**(462)**	(689)

"**Working capital**" is used by management and the investment community to analyze the operating liquidity available to the Corporation. Working capital is calculated based on current assets less current liabilities.

Working capital is derived from the consolidated statements of financial positions and is calculated as follows:

As at **($ Cdn thousands) - unaudited**	**June 30, 2019**	December 31, 2018	Increase (decrease) in working capital
Current assets			
Cash and cash equivalents	**2,119**	2,539	(420)
Accounts receivable	**137**	67	70
Prepaid expenses	**6**	12	(6)
	2,262	2,618	(356)
Current liabilities			
Accounts payable and accrued liabilities	**331**	**392**	(61)
Deferred revenue	**7**	**32**	(25)
	338	**424**	(86)
Working capital	**1,924**	**2,194**	(270)

ADDITIONAL GAAP MEASURES DEFINITIONS

"**Funds provided by operations**" is used by management and investors to analyze the funds generated by the Corporation's principal business activities prior to consideration of working capital, which is primarily made up of highly liquid balances. This balance is reported in the Consolidated Statements of Cash Flows included in the cash provided by operating activities section.

"**Gross profit**" is used by management and investors to analyze overall and segmented operating performance. Gross profit is not intended to represent an alternative to net earnings or other measures of financial performance calculated in accordance with IFRS. Gross profit is calculated from the consolidated statements of operations and comprehensive income (loss) and from the segmented information contained in the notes to the consolidated financial statements. Gross profit is defined as revenue less cost of revenue.

"**Gross profit percentage**" is used by management and investors to analyze overall and segmented operating performance. Gross profit percentage is calculated from the consolidated statements of operations and comprehensive income (loss) and from the segmented information in the notes to the consolidated financial statements. Gross profit percentage is defined as gross profit divided by revenue.

"Subscription revenue" are monthly recurring fees charged to clients for access to operate the hosting platform, software updates, new features and technical support.

"Integration revenue" are charges to clients for charges that are viewed by the Corporation to be one-time in nature and to new clients for the provision of regulatory consulting services, and marketing and customization services. The charges vary depending on the amount and complexity of the work involved and the nature of the client's needs.

BUSINESS RISKS

The business of Katipult is subject to risk and uncertainties. Prior to making any investment decisions regarding Katipult, investors should carefully consider, among other things, the risk described (including risk and uncertainties listed in the Forward-Looking Statements section in this MD&A) and risk factors set forth in the most recent long form prospectus of the Corporation and the following.

In the normal course of business, the Corporation's operations are influenced by a number of internal and external factors and are exposed to risks and uncertainties that can affect its business, financial condition and operating results. The activities of the Corporation are subject to ongoing operational risks including the performance of key suppliers, product performance, and government and other industry regulations and reliance on information systems, all of which may affect the ability of the Corporation to meet its obligations. While management believes its innovation and technology make it a leader in the industry, revenue and results may be affected if products are not accepted in the marketplace, are not approved by regulatory authorities, or if products are not brought to market in a timely manner.

CRITICAL ACCOUNTING JUDGEMENT AND ESTIMATES

The preparation of the consolidated financial statements requires management to make judgements and estimates that affect the reported amounts of assets, liabilities, income, and expenses. Judgements and estimates are continually evaluated and are based on historical experience and expectations of future events. While judgements and estimates used by management are believed to be reasonable under current circumstances, actual results could differ. Management has applied significant judgements on a basis consistent with the prior year.

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.

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.

CORPORATE INFORMATION

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Directors

Marcus Shapiro
Chair of the Board

Jeff Dawson
Audit Committee Chair

David Jaques
Governance & Compensation Committee Chair

Brian Craig
Director

Brock Murray
Chief Executive Officer & Co-Founder

Paul Sun
Director

Pheak Meas
Chief Product Officer & Co-Founder

Officers and Board Secretary

Brock Murray
Chief Executive Officer & Co-Founder

Karim Teja, CPA, CGA
Chief Financial Officer, Corporate Secretary

Ben Cadieux
Chief Information Officer

Michael Sharpe
Board Secretary

Pheak Meas
Chief Product Officer & Co-Founder

Doug McLean MSc.
Chief Technology Officer

Additional information relating to the Corporation is available on SEDAR at www.sedar.com