Q1 2020

Management Discussion & Analysis

Katipult Technology Corp. March 31, 2020

The discussion and analysis of the financial condition and results of operations of the Corporation is prepared as at May 26 2020 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 months period ended March 31, 2020, and with the audited consolidated financial statements of Katipult Technology Corp., and the notes thereto, for the year ended December 31, 2019.

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 months periods ended March 31, 2020, is dated May 26, 2020, 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 months ended March 31, 2020. The MD&A should be read in conjunction with the unaudited condensed consolidated interim financial statements and related notes for the three months periods ended March 31, 2020, and the audited annual consolidated financial statements and related notes for the year ended December 31, 2019, 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.

Unless otherwise identified the MD&A is 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.

Additional information is available on Katipult's website (www.katipult.com) and all previous public filings, are available through SEDAR (www.sedar.com).

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 and the impact of COVID-19; 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

For the three months ended March 31, ($ thousands)	2020	2019
Subscription revenue [1]	**329**	303
Integration revenue [1]	**31**	160
Total revenue	**360**	463
Gross profit [1]	**295**	377
Gross profit percentage [1]	**81.9%**	81.4%
Adjusted EBITDA [1]	**(267)**	(238)
Total comprehensive income (loss)	**(728)**	(319)

8.6% Year over Year Increase in Subscription Revenue [1]

Subscription revenue for the three-month period increased 8.6% to $329 over the comparable period in fiscal 2019. The Corporation continues to expand and improve its product to meet the evolving needs of existing and prospective customers.

Integration revenue decreased from $160 in the three months ended March 31, 2019 to $31 in the three months ended March 31, 2020. The Corporation will continue to reduce its emphasis on non-recurring integration revenue.

Continued investment and growth impacts Adjusted EBITDA[1] and Net Income

Gross profit percentage increased to 81.9% in the first quarter of 2020 (2019: 81.4%). The Corporation has maintained a gross profit percentage over 70.0% for the past nine quarters. The Corporation continually evaluates operations as it seeks to drive efficient operations. These efforts resulted in some reduction of expense that contributed to being able to sustain its high gross profit percentage.

The total research and development costs decreased by 28.3% to $182 in the first quarter of 2020 compared to $254 incurred during the same period in 2019. The Corporation continues to strategically and measuredly invest in its research and development to improve the product's functions, features and end-user experience

Adjusted EBITDA increased to a loss of $267 (Q1 2019: loss $238); however, the Corporation's net loss and comprehensive loss was $728 in the first quarter of 2020 compared to $319 in first quarter of 2019. The increased loss is largely due to a $278 increase in the fair value liability relating to the Corporation's outstanding convertible debentures in addition to higher finance and selling and general expenses, partially offset by higher subscription revenue, improved gross profit, and the Corporation's ongoing efforts to drive efficient operations. It should be noted that the outstanding principal of the convertible debentures of $3,000 remained unchanged and the amount outstanding, which may fail to be repaid in full in certain circumstances, is significantly greater than the amount recognised as a liability on the statement of financial position.

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

Changes to Management and Directors

On January 6, 2020, Katipult appointed Gord Breese to the position of President, Chief Executive Officer and Director of the Corporation. Brock Murray, the Corporation's Co-Founder and former President and Chief Executive Officer was appointed to a new role of Head of Global Development.

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 continuing to execute its sales and marketing strategy in a financially prudent and measured manner with a focus on securing fewer but more established, larger clients. This is the result of a deliberate strategy at Katipult to move up market, demonstrate our value proposition in the enterprise market and drive subscription revenue growth.

The Corporation has established specific objectives for 2020 that strengthen and deepen the management team, increase sales efforts, ensure a more focused product offering, build brand recognition, continue to improve the onboarding and customization activities and explore ways to accelerate the sale-cycle. The Corporation will continue to pursue initiatives that rationalize and where appropriate, upgrade its technical support and back-office infrastructure so that it can cost-effectively scale and support growth.

On January 30, 2020, the World Health Organization declared the coronavirus outbreak (COVID-19) a "Public Health Emergency of International Concern" and on March 11, 2020, declared COVID-19 a pandemic. The impact of COVID-19 could negatively impact the Corporation's operations, suppliers or other vendors, customer base, and ability to raise funds through debt or equity. The extent to which the coronavirus impacts the Corporation's results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and actions taken to contain the coronavirus or its impact, among others

CORPORATE PROFILE

Organization

Katipult Technology Corp. (the "Corporation" or "Katipult") is a provider of an industry leading and award-winning cloud-based software infrastructure for powering the exchange of capital in equity and debt markets. The Corporation was originally incorporated under the British Columbia Business Corporations Act. In the third quarter of 2019, the Corporation filed articles of continuance under the Alberta Business Corporation Act. The continuance was effective October 2, 2019. On December 31, 2019, Katipult amalgamated with its wholly-owned subsidiary. The registered address of the Corporation is 340, 318 11 Ave SE, Calgary, AB, T2G 0Y2. 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 debt and real-estate financing, as well as 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 platform. 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 including unrealized gains and losses on financial instruments, 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

For the three months ended March 31, ($ thousands)	**2020**	2019
Subscription revenue (1)	**329**	303
Integration revenue (1)	**31**	160
	360	463
Cost of revenue	**65**	86
Gross profit (1)	**295**	377
Gross profit percentage (1)	**81.9%**	81.4%

Subscription revenue for the three-month period increased 8.6% to $329 over the comparable period in fiscal 2019. The Corporation continues to expand and improve its product to meet the evolving needs of existing and new prospective customers.

Integration revenue decreased from $160 in the three months ended March 31, 2019 to $31 in the three months ended March 31, 2020. The Corporation will continue to reduce its emphasis on non-recurring integration revenue.

The gross profit percentage increased to 81.9% in the three months ended March 31, 2020 (2018: 81.4%). The Corporation has maintained a gross profit percentage over 70.0% for the past nine quarters.

SELLING, GENERAL, AND ADMINISTRATION

For the three months ended March 31, ($ thousands)	**2020**	2019
Selling, general, and administrative less share-based payments and bad debt expense	**363**	323
Bad debt expense	**17**	38
Share-based payment	**137**	133
Selling, general, and administrative	**517**	494

Selling, general, and administrative less share-based payment and bad debt expense increased in the first quarter of 2020 compared to the prior year. The increase is largely related to additional management hires and increased marketing and sales costs.

The Corporation has improved its bad debt expense in the first quarter of 2020 by targeting more established customers and putting in place processes that mitigate credit risk, including more robust contracts, timelier follow-up, credit checks where practical, and establishing a reserve against revenue for estimated uncollectable invoices. As a result, the total bad debt expense reduced to $17 in the first quarter of 2020, compared to $38 in the first quarter of 2019.

Included in the SG&A expenses is share-based payment of $137 in the period. The expense is driven by the issuance and timing of restricted share units and the vesting of stock options and restricted share units. This is a non-cash expense.

RESEARCH AND DEVELOPMENT

For the three months ended March 31, ($ thousands)	2020	2019
Research and development	**182**	254

Research and development for the three months ended March 31, 2020 decreased by 28.3% to $182 when compared to the same period in 2019. The decrease is the result of the Corporation being focused on enhancing the functionality of its products and speeding up the onboarding process to allow for larger, scalable deployments while reducing support and maintenance costs.

FOREIGN EXCHANGE

For the three months ended March 31, ($ thousands)	2020	2019
Foreign exchange	**(44)**	2

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

For the three months ended March 31, ($ thousands)	2020	2019
Bank related charges	**9**	9
Interest on convertible debentures	**74**	64
Interest on lease obligation	**6**	-
Finance costs	**89**	73
Unrealized loss on convertible debentures	**278**	-

Finance costs increased for the three months ended March 2020 compared to same period in the prior year mainly due to the increase in convertible debenture accrued interest The interest on convertible debentures is a non-cash item as the interest is accrued to maturity (or conversion). Interest on lease obligation is related to a new office lease entered into in the first quarter of 2020 for the Corporation's new head office.

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

OTHER (INCOME) AND EXPENSES

For the three months ended March 31, ($ thousands)	**2020**	2019
Interest and other income	**(3)**	(102)
Government (grant) repayment	**-**	(26)
Total other (income) and expenses	**(3)**	(128)

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

Other income and expenses in the first quarter of 2019 included amounts that related to a cash prize of $97 (SGD 100) that the Corporation won at the Singapore FinTech Festival and government grants earned in those periods.

ADJUSTED EBITDA, TOTAL COMPREHENSIVE INCOME (LOSS), AND CASH FLOW

For the three months ended March 31, ($ thousands)	**2020**	2019
Adjusted EBITDA [1]	**(267)**	(238)
Total comprehensive income (loss)	**(728)**	(319)
Funds provided (used in) by operations [1]	**(273)**	(119)
Cash flow provided (used in) by operations	**(344)**	(191)

Adjusted EBITDA was negative $267 (2019: negative $238) the increased loss was the result of higher selling, general and administrative costs, partially offset by lower research and development costs.

The Corporation's net loss and comprehensive loss was $728 in the first quarter of 2020 compared to $319 in first quarter of 2019. The increased loss is largely due to a $278 increase in the fair value of the Corporation's outstanding convertible debentures arising from the revaluation in addition to higher finance and selling and general expenses, partially offset by higher recurring revenue, improved gross profit, and the Corporation's ongoing efforts to drive efficient operations. It should be noted that the outstanding principal of the convertible debentures remained unchanged at $3,000 and the amount outstanding, which may fall to be repaid in full in certain circumstances, is significantly greater than the amount recognised as a liability on the statement of financial position.

The Corporation's funds used in operations increased by $153 (from $191 to $344) for the three months ended March 31, 2020 compared to of the same period in 2019. The increase is largely due to lower Other Income and a higher selling, general and administrative costs.

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

FINANCIAL AND OPERATING HIGHLIGHTS - QUARTERLY ANALYSIS

	2020	2019				2018		
($ Cdn thousands)	**Q1**	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Subscription revenue [1]	**329**	329	365	307	303	251	188	137
Integration revenue [1]	**31**	53	22	77	160	24	122	191
Total revenue	**360**	382	387	384	463	275	310	328
Gross profit [1]	**295**	312	311	306	377	201	229	243
Gross profit - percentage [1]	**81.9%**	81.7%	80.4%	79.7%	81.4%	73.1%	73.9%	74.1%
Selling, general, and administrative	**517**	509	438	447	494	569	463	540
Research and development	**182**	161	190	212	254	257	222	250
Adjusted EBITDA [1]	**(267)**	(219)	(242)	(224)	(238)	(511)	(412)	(471)
Net loss and comprehensive loss	**(728)**	709	(353)	(343)	(319)	(707)	(520)	(596)

LIQUIDITY AND CAPITAL RESOURCES

Working capital

As at **($ Cdn thousands) - unaudited**	**March 31, 2020**	December 31, 2019	Increase (decrease) in working capital
Current assets			
Cash and cash equivalents	**1,449**	1,855	(406)
Marketable securities	**97**	-	97
Accounts receivable	**130**	102	28
Prepaid expenses	**22**	2	20
Total current assetes	**1,698**	1,959	(261)
Current liabilities			
Accounts payable and accrued liabilities	**297**	**291**	6
Deferred revenue	**99**	**138**	(39)
Current portion of lease obligation	**27**	**-**	27
Total current liabilities	**423**	**429**	(6)
Working capital [1]	**1,275**	**1,530**	(255)

The key driver of the change in working capital is the $406 decrease in cash. $97 of the Corporation cash was placed into a government investment certificates.

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

Liquidity

At March 31, 2020 the Corporation had $1,449 (December 31, 2019: $1,855) of cash on hand and an additional $97 was held in government investment certificates (December 31, 2019: $nil).

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, 2020 is uncertain.

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, the occurrence of adverse circumstances, fluctuations in foreign currency translation, or the decision to expand geographically into new markets or by acquisition. In addition, 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. 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.

Since the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Corporation in future periods.

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	67,909,793
Shares issued on conversion of restricted share units	483,870
Shares issued on exercise of stock options	240,000
Balance as at December 31, 2019, March 31, 2020 and May 26, 2020	68,633,663

Common shares

At March 31, 2020, 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.

(a) Contributed surplus

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

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.

No stock options were exercised or granted during either the first quarter of 2019 or the first quarter of 2020.

As at March 31, 2020, 2,775,833 options were exercisable (December 31, 2019: 2,775,833).

Restricted Share Unit Plan

The Corporation has also adopted a Restricted Share Unit plan ("RSU Plan"). The Corporation granted restricted share units (the "RSUs") under the RSU Plan to its independent directors. On September 25, 2019, the Corporation granted RSUs to each of its three independent directors and its Board Secretary (the "2019 RSU Recipients"). In aggregate, 645,653 RSUs were granted. These grants represented compensation to the RSU Recipients for their respective service to the Corporation as Directors and as Board Secretary. Each RSU represents the right to receive one common share of the Corporation upon vesting. All of the RSUs granted on September 25, 2019 will vest on September 1, 2020, subject to the terms and conditions set forth in the RSU Plan. The RSUs are valued at $0.28 per RSU, being the value of the Corporation's common share on the issuance date.

CONVERTIBLE DEBENTURES

As at **($ Cdn thousands) - unaudited**	**March 31, 2020**	December 31, 2019
Balance at the beginning of period	**2,295**	3,153
Interest accrued	**74**	275
Unrealized loss (gain) on convertible debentures	**278**	(1,133)
Balance at the end of the period	**2,647**	2,295
Face value at end of the period	**3,000**	3,000

In the second quarter of 2018, the Corporation issued convertible debentures of $3,050 with a five-year maturity date. The debentures may be extended beyond the maturity date by the holder, in which case the debentures 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 measured the entire hybrid contract at fair value with adjustments recorded to finance costs in the statements of operations and comprehensive loss. As at March 31, 2020, the debenture was valued at $2,145 (December 31, 2019: $1,867) plus interest. The face value of $3,000, plus all accrued interest, will be repayable on maturity, if not converted prior to this date.

The face value of the debenture reconciles to the balance as at March 31, 2020 and December 31, 2019 as follows:

As at **($ Cdn thousands) - unaudited**	**March 31, 2020**	December 31, 2019
Face value	**3,000**	**3,000**
Fair value adjustment	**(855)**	**(1,133)**
Fair value of convertible debenture	**2,145**	**1,867**
Interest accrued	**502**	**428**
Balance at the end of the year	**2,647**	**2,295**

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 March 31, 2020, the Corporation had been able to maintain the monthly cash burn rate such that the accrued annual rate of interest payable in the quarter 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.

As at March 31, 2020, the accrued interest is valued at $502 (December 31, 2019: $428). Accrued interest can be converted to shares at the election of the holders at any time and if remaining unpaid will be converted, when the principal is converted 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.

The convertible debentures are convertible at the option of 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 issued and outstanding Common Share.

The Corporation can redeem the debentures upon 30 days' notice prior to the maturity by paying the outstanding face value of the principal in cash and the outstanding interest in common shares at the current market price, as well as a prepayment penalty equal to 50% of the lost interest from the prepayment date to the maturity date.

The fair value of the convertible debentures is determined using a probability-weighted multi-scenario model based on the host liability and embedded derivatives of the instrument. The most significant factors in the computation of the fair value of this financial instrument at December 31, 2019 are the fair values of the host liability and the conversion feature. The fair value of the host liability is determined using a discount rate of 41%, interest payments of 8.5% to 12.0%, and a remaining expected term of 3.4 years, as at December 31, 2019. The fair value of the conversion feature is determined using a Black-Scholes model with a volatility of 125%, a risk free rate of interest of 1.69%, a stock price of $0.17 per share, and a remaining expected life of 3 years and five months, as at December 31, 2019.

The fair value of the convertible debentures as at March 31, 2020 was calculated using the same methodology as described above, with a volatility of 125%, a risk free rate of interest of 1.83%, a stock price of $0.28 per share, and a remaining expected life of 3 years and two months.

COMMITMENTS AND CONTINGENCIES

As of March 31, 2020, in the normal course of business, other than in relation to the convertible debentures and the office lease noted below, the Corporation has no material obligations to make future payments, representing contracts and other commitments that are known and committed.

During the first quarter of 2020, the Corporation entered into a sublease for new head office space which expires on July 30, 2022.

As at **$ Cdn thousands**	**March 31, 2020**
Maturity analysis – contractual undiscounted cash flows	
Less than one year	40
One to five years	58
More than five years	-
Total undiscounted lease liabilities	98

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:

For the three months ended March 31,		
($ thousands)	**2020**	2019
Net loss	**(728)**	(319)
Plus:		
Depreciation and amortization	**4**	1
Finance costs	**89**	73
Unrealized gain on convertible debentures	**278**	-
Foreign exchange	**(44)**	2
Share-based payments	**137**	133
Other income	**(3)**	(128)
Adjusted EBITDA	**(267)**	(238)

"**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 statements of financial positions and is calculated as follows:

As at **($ Cdn thousands) - unaudited**	**March 31, 2020**	December 31, 2019	Increase (decrease) in working capital
Current assets			
Cash and cash equivalents	**1,449**	1,855	(406)
Marketable securities	**97**	-	97
Accounts receivable	**130**	102	28
Prepaid expenses	**22**	2	20
Total current assetes	**1,698**	1,959	(261)
Current liabilities			
Accounts payable and accrued liabilities	**297**	**291**	6
Deferred revenue	**99**	**138**	(39)
Current portion of lease obligation	**27**	**-**	27
Total current liabilities	**423**	**429**	(6)
Working capital	**1,275**	**1,530**	(255)

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" is comprised of 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 services 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.

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

No of new standards and amendments to existing standards have been issued by the International Accounting Standards Board (IASB) that are effective after December 31, 2019 that effect these consolidated financial statements.

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.

Management defines risk as the evaluation of probability that an event might happen in the future that could negatively affect the financial condition and/or results of operations of the Corporation. The risks identified do not constitute an exhaustive list of all possible risks which may impact the Corporation as there may be additional risks of which management is currently unaware of. As it is difficult to predict whether any risk will happen or its related consequences, the actual effect of any risk on the business could be materially different from what is anticipated.

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, but not limited to, the following ongoing operational risks - which are more fully described in the Corporation's MD&A for the year ended December 31, 2019:

- Ability to Manage Future Growth
- Fluctuation in Quarterly Results
- Lengthy Sales and Implementation Cycle
- Cyber Risks
- Risks Related to Cloud Based Solutions
- Failure to Continue to Adapt to Technological Change and New Product Development
- Dependence on Management and Key Employees
- Competition
- Protection of Intellectual Property
- Economic Conditions
- Pandemic Diseases – COVID-19 Response
- Privacy Concerns and Legislation
- Regulatory Environment
- Risk Associated with a Change in the Company's Pricing Model
- Risk of Defects in the Corporation's Solution
- Dependence on Market Growth
- Operational Service Risk
- Dependence on Partners
- Delay or Failure to Realize Anticipated Benefits of Key Account Installations

CORPORATE INFORMATION

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Directors

Marcus Shapiro
Chair of the Board

Jeff Dawson
Audit Committee Chair

Brian Craig
Compensation and Governance Chair

Gord Breese
President & Chief Executive Officer

Brock Murray
Head of Global Development

Pheak Meas
Chief Product Officer

Officers and Board Secretary

Gord Breese
President & Chief Executive Officer

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

Brock Murray
Head of Global Development

Pheak Meas
Chief Product Officer

Ben Cadieux
Chief Technology Officer

Michael Sharpe
Board Secretary

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