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Q3 2023

Management Discussion & Analysis

For the Three- and Nine-Months Ended September 30, 2023

Katipult Technology Corp.

The discussion and analysis of the financial condition and results of operations of the Corporation is prepared as at November 28, 2023 and should be read in conjunction with the unaudited condensed interim financial statements of Katipult Technology Corp., and the notes thereto, for the three- and nine-month period ended September 30, 2023, and with the audited financial statements of Katipult Technology Corp., and the notes thereto, for the year ended December 31, 2022.

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 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 nine-month periods ended September 30, 2023 and as at September 30, 2023, is dated November 28, 2023, and takes into consideration information available up to that date.

The MD&A is based on the unaudited condensed interim financial statements of Katipult for the three- and nine-month period ended September 30, 2023. The MD&A should be read in conjunction with the unaudited condensed interim financial statements and related notes for the three- and nine-month periods ended September 30, 2023, and the annual financial statements and related notes for the year ended December 31, 2022, prepared in accordance with International Financial Reporting Standards ("IFRS"). The Corporation's audited financial statements and unaudited 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. Please refer to "Risk Factors" in this MD&A for a discussion of certain of those risks.

In particular, but without limiting the foregoing, this MD&A may contain forward-looking information and statements pertaining to the ability of the Corporation to repay its debt obligations, raise additional funds and fund operations; 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 sustainability, performance and operations, including growing its enterprise customer base, growing monthly recurring revenue and adding new product capabilities. 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.

NON-GAAP MEASURES AND ADDITIONAL GAAP MEASURES

Throughout this document, reference is made to "Working capital", "Adjusted EBITDA", and "churn" which are all non-IFRS measures. Management believes that *Working capital* is a useful 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* is a more appropriate measure for comparing results from one period to another as Adjusted EBITDA normalizes earnings to exclude certain non-operating, non-cash, and extraordinary amounts. All these terms are defined below. 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 IFRS.

NON-GAAP MEASURES DEFINITIONS

"**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 values), 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 September 30,		**Nine months ended September 30,**	
($ Cdn thousands)	**2023**	2022	**2023**	2022
Net loss	**(195)**	(559)	**(1,478)**	(1,771)
Plus:				
Depreciation and amortization	**-**	2	**1**	16
Finance costs	**211**	194	**599**	516
Unrealized (gain) loss on convertible debentures	**(193)**	159	**284**	446
Foreign exchange (gain) loss	**(2)**	(40)	**19**	(41)
Share-based payments	**14**	36	**48**	8
Other income	**1**	(75)	**(138)**	(244)
Adjusted EBITDA	**(164)**	(283)	**(665)**	(1,070)

"**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**	**September 30, 2023**	December 31, 2022	Increase (decrease) in working capital
Current assets			
Cash and cash equivalents	**1,184**	1,370	(186)
Accounts receivable	**28**	321	(293)
Prepaid expenses	**4**	2	2
Total current assets	**1,216**	1,693	(477)
Current liabilities			
Accounts payable and accrued liabilities	**387**	285	102
Deferred revenue	**587**	621	(34)
Loan payable	**55**	43	12
Convertible debentures - current portion	**3,848**	-	3,848
Total current liabilities	**4,877**	949	3,928
Working capital	**(3,661)**	744	(4,405)

ADDITIONAL GAAP MEASURES DEFINITIONS

"**Annual recurring revenue (ARR)"** is the Monthly Recurring Revenue multiplied by twelve.

"**Funds used in operations**" is used by management 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 Statements of Cash Flows included in the cash provided by operating activities section.

"**Gross profit**" is used by management 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 statements of operations and comprehensive income (loss) and from the segmented information contained in the notes to the financial statements. Gross Profit is defined as revenue less cost of revenue.

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

"Monthly recurring revenue (MRR)" is the aggregate of a given month's recurring fees charged to clients.

"Subscription revenue" consists of monthly recurring fees charged to clients for access to operate the Platform, software updates, new features and technical support.

"Enterprise revenue" consists of monthly recurring fees charged to larger more established clients for access to operate the Platform, software updates, new features and technical support for the Corporations DealFlow Core product.

"Investment services revenue" consists of fees charged to clients on qualifying services and/or transactions processed through Katipult's Platform. While this revenue is expected to be recurring in nature, it will vary in size and timing as it is based on the volume and characteristics of the transactions processed.

"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.

FINANCIAL AND OPERATION HIGHLIGHTS

	Three months ended September 30,		Nine months ended September 30,	
($ Cdn thousands)	**2023**	2022	**2023**	2022
Subscription revenue [1]	**688**	476	**1,698**	1,350
Investment services revenue [1]	**26**	-	**93**	-
Integration revenue [1]	**7**	-	**26**	36
Total revenue	**721**	476	**1,817**	1,386
Gross profit [1]	**606**	378	**1,506**	1,083
Gross profit percentage [1]	**84.0%**	79.4%	**82.9%**	78.1%
Adjusted EBITDA [1]	**(164)**	(283)	**(665)**	(1,070)
Total comprehensive income (loss)	**(195)**	(559)	**(1,478)**	(1,771)

Revenue

Over the last several quarters, the Corporation has been focusing on the enterprise market and has made progress in capturing well-established, well reputed companies.

When compared to the same periods in 2022, subscription revenue for the three- and nine-month periods ended September 30, 2023 has increased 44.5% and 25.8% due to increased sales to enterprise clients partially offset by churn of mostly smaller, legacy customers. Enterprise client revenue grew to $606 in the quarter (2022: $327) which is a 90.0% increase when compared to the same quarter in 2022. An existing customer contract has transitioned to a new entity agreement at higher revenue. However, the third quarter of 2023 revenue incudes revenue from both contracts and effective January 1, 2024, the legacy contract and its associated revenue of $126 per quarter will expire.

Investment services revenue stream is the result of fees charged to clients on qualifying services and/or transactions processed through Katipult's Platform. This revenue will vary in size and timing as it is based on the volume and characteristics of the transactions processed. The Corporation reported transaction investment service revenue of $26 and $93 in the three- and nine-month period ended September 30, 2023 (2022 - $nil and $nil).

Integration revenue is non-recurring and fluctuates from quarter-to-quarter as it is dependent on the number of new customers brought on in the quarter, and the level of the client's understanding of regulatory requirements, the level of customer-facing customization required and issues needing to be addressed to make the client ready to onboard. The Corporation reported $7 and $26 integration revenue for the three- and nine-month periods June 30, 2023 (2022: $nil and $36).

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

Continued investment impacts Adjusted EBITDA and Net Income

The gross profit percentage was 84.0% and 82.9% for the three- and nine-month periods ended September 30, 2023 (2022: 79.4% and 78.1%). The higher gross profit percentage is due to investment services revenue growth and non-recurring integration revenue partially offset by higher support costs required in supporting new, more sophisticated clients.

Adjusted EBITDA and Net Income

Adjusted EBITDA losses were $164 and $665 for the three- and nine-month periods ended September 30, 2023 (2022: $283 and $1,070). The improvement is related to higher revenue and lower expenses as a result of management's focus on prudent expense management.

The Corporation's net loss and comprehensive loss decreased to $195 and $559 for the three- and nine-month periods ended September 30, 2023 compared to $559 and $1,771 in the comparative period of 2022 . The differences are due in large part to the non-cash revaluation of the 2018 Debentures, and the higher non-cash finance costs from the accretion of the 2021 Debenture.

THIRD QUARTER 2023 HIGHLIGHTS

Katipult Launches DealFlow Central For Institutional Investors

On September 11, 2023, Katipult announced the release of its latest groundbreaking product - Dealflow Central. This innovative solution heralds a new era in the institutional investor landscape, streamlining workflows with cutting-edge automation and redefines the institutional investor experience for efficiency, transparency, and connectivity.

Katipult Receives Additional Support to Propel Digital Private Capital Network

On October 5, 2023, Katipult announced it has secured an additional $160,000 in conditional funding and advisory services from the National Research Council of Canada Industrial Research Assistance Program (NRC IRAP) to support its research and development efforts for DealFlow Mesh, a fully integrated private capital network.

Katipult DealFlow Surpasses $165M in Q3 Capital-Raising Activity

On October 24, 2023, Katipult announced it facilitated over $165M in capital raises during Q3 2023 through its DealFlow platform.

OUTLOOK

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.

Katipult continued to progress in enhancing and expanding functionality in its core DealFlow product during the quarter. The Corporation continues to focus on adding enterprise customers, growing its monthly recurring revenue (“MRR”) and adding new product capabilities to make private capital markets more efficient, transparent and fully digitized.

CORPORATE PROFILE

Organization

Katipult Technology Corp. (the “Corporation” or “Katipult”) is a provider of a cloud-based software for powering the exchange of capital in equity and debt markets. The Corporation was originally incorporated under the *Business Corporations Act* (British Columbia). On October 2, 2019, the Corporation filed articles of continuance under the *Business Corporations Act* (Alberta). The registered address of the Corporation is 900, 903 8th Ave SE, Calgary, AB, T2P 0P7. 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 provider offering cloud-based software 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 investment participation and investment marketing, as well as managing regulatory requirements in a variety of geographic jurisdictions.

The Platform includes modules for various user types, including but not limited to investors, issuers, administrators, and auditors. 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. In exchange for a monthly subscription, customers benefit from software updates, new features and technical support. The Corporation also earns integration revenue and investment services revenue. Integration revenue is generated through activities including the provision of regulatory consulting, marketing, and the customization services of the Platform, for which one-time charges are made and vary depending on the work involved. Investment services revenue is derived through fees charged to clients on qualifying services and/or transactions processed through Katipult’s Platform.

RESULTS OF OPERATIONS

($ Cdn thousands)	Three months ended September 30, 2023	2022	Nine months ended September 30, 2023	2022
Subscription revenue (1)	**688**	476	**1,698**	1,350
Investment services revenue (1)	**26**	-	**93**	-
Integration revenue (1)	**7**	-	**26**	36
	721	476	**1,817**	1,386
Cost of revenue	**115**	98	**311**	303
Gross profit (1)	**606**	378	**1,506**	1,083
Gross profit percentage (1)	**84.0%**	79.4%	**82.9%**	78.1%

Over the last several quarters, the Corporation has been focusing on the enterprise market and has made progress in capturing well-established, well reputed companies.

When compared to the same periods in 2022, subscription revenue for the three- and nine-month periods ended September 30, 2023 has increased 44.5% and 25.8% due to increased sales to enterprise clients partially offset by churn of mostly smaller, legacy customers. Enterprise client revenue grew to $606 in the quarter (2022: $327) which is a 90.0% increase when compared to the same quarter in 2022. An existing customer contract has transitioned to a new entity agreement at higher revenue. However, the third quarter of 2023 revenue incudes revenue from both contracts and effective January 1, 2024, the legacy contract and its associated revenue of $126 per quarter will expire.

Investment services revenue stream is the result of fees charged to clients on qualifying services and/or transactions processed through Katipult's Platform. This revenue will vary in size and timing as it is based on the volume and characteristics of the transactions processed. The Corporation reported investment service revenue of $26 and $93 in the three- and nine-month period ended September 30, 2023 (2022 - $nil and $nil).

Integration revenue is non-recurring and fluctuates from quarter-to-quarter as it is dependent on the number of new customers brought on in the quarter, and the level of the client's understanding of regulatory requirements, the level of customer-facing customization required and issues needing to be addressed to make the client ready to onboard. The Corporation reported $7 and $26 integration revenue for the three- and nine-month periods ended September 30, 2023 (2022: $nil and $36).

The gross profit percentage was 84.0% and 82.9% for the three- and nine-month periods ended September 30, 2023 (2022: 79.4% and 78.1%). The higher gross profit percentage is due to investment services revenue growth and non-recurring integration revenue partially offset by higher support costs required in supporting new, more sophisticated clients.

SELLING, GENERAL, AND ADMINISTRATIVE

($ Cdn thousands)	Three months ended September 30, **2023**	2022	Nine months ended September 30, **2023**	2022
Selling, general, and administrative before share-based payments and bad debt expense	**556**	447	**1,480**	1,329
Bad debt (recovery) expense	**4**	1	**(3)**	-
Share-based payments	**14**	36	**48**	8
Selling, general, and administrative	**574**	484	**1,525**	1,337

For the three- and nine-month periods ended September 30, 2023, selling, general and administrative (SG&A) expenses before share-based payments and bad debt expenses increased when compared to the same periods in 2022. The increase is the result of higher staff compensation and professional costs.

For the three- and nine-month periods ended September 30, 2023, the Corporation expense of $4 and recovery of $3 (2022: expense of $1 and recovery of $nil) of previously written-off receivables.

Included in SG&A expenses is a share-based payment recovery of $16 and $34 for the three- and nine-month periods ended September 30, 2023, due to a reduction of staff (2022: recovery $48 and $28). The expense is driven by the issuance and vesting timing of restricted share units and stock options.

RESEARCH AND DEVELOPMENT

($ Cdn thousands)	Three months ended September 30, **2023**	2022	Nine months ended September 30, **2023**	2022
Research and development	**210**	213	**694**	824

Research and development ("R&D") expenses are lower in the current quarter compared to the prior year comparative period as the Corporation realizes the benefits from prior cost management and efficiency strategies.

The Corporation continues to make investments to enhance its product offering and build out its product road-map for its Enterprise clients, specifically the DealFlow capabilities recently launched including new product modules DealFlow Marketing and DealFlow DataHub - all of which enhanced the Corporation's competitive market position in Canada and the United States.

FOREIGN EXCHANGE

($ Cdn thousands)	Three months ended September 30, **2023**	2022	Nine months ended September 30, **2023**	2022
Foreign exchange (gain) loss	**(2)**	(40)	**19**	(41)

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 primarily in relation to changes in the US/Canadian and Euro/Canadian exchange rate.

FINANCE COSTS

($ Cdn thousands)	Three months ended September 30, **2023**	2022	Nine months ended September 30, **2023**	2022
Bank related charges	**1**	2	**7**	18
Interest on 2018 Debentures	**100**	113	**291**	291
Accretion on 2021 Debenture	**108**	75	**298**	205
Interest on lease obligation	**-**	1	**-**	2
Other interest and charges	**2**	3	**3**	9
Finance costs	**211**	194	**599**	516
Unrealized (gain) loss on 2018 Debentures	**(193)**	159	**284**	446

Finance costs increased for the three- and nine-month periods ended September 30, 2023, compared to the same period in the prior year mainly due to increased interest on the 2018 Debentures and the accretion on 2021 Convertible Debentures. The 2018 Debentures are hybrid contracts with multiple embedded derivatives. The Corporation has measured the entire hybrid contract at fair value with adjustments recorded in profit or loss.

The increased interest on the 2018 Debentures is due to the compounding nature of the accrued interest. The interest is a non-cash item prior to maturity.

In the first quarter of 2021, the Corporation issued the 2021 Debenture which results in the ongoing recognition of a non-cash accretion expense.

Interest on lease obligation is related to an office lease entered in the first quarter of 2020 for the Corporation's head office and ends in the third quarter of 2022.

Other interest and charges are related to accretion on the CEBA loans.

OTHER INCOME AND EXPENSES

($ Cdn thousands)	Three months ended September 30, 2023	2022	Nine months ended September 30, 2023	2022
Interest and other income	**(1)**	-	**(4)**	(6)
Government grants	**2**	(75)	**(134)**	(238)
Total other income and expenses	**1**	(75)	**(138)**	(244)

Other income and expenses contain items that occur outside of the normal operating activities of the Corporation. Government grants are related to the National Research Council of Canada Industrial Research Assistance Program (NRC IRAP) and Canadian Emergency Business Account ("CEBA").

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

($ Cdn thousands)	Three months ended September 30, 2023	2022	Nine months ended September 30, 2023	2022
Adjusted EBITDA [1]	**(164)**	(283)	**(665)**	(1,070)
Total comprehensive income (loss)	**(195)**	(559)	**(1,478)**	(1,771)
Funds used in operations before change in non-cash working capital	**(166)**	(210)	**(534)**	(835)
Total funds proivde by (used in) operating activities	**(59)**	(227)	**(171)**	(789)

Adjusted EBITDA losses were $164 and $665 for the three- and nine-month periods ended September 30, 2023 (2022: $283 and $1,070). The improvement is related to higher revenue and lower expenses as a result of management's focus on prudent expense management.

The Corporation's net loss and comprehensive loss were $195 and $1,478 for the three- and nine-month periods ended September 30, 2023 compared to $559 and $1,771 in the comparative period of 2022 . The changes in loss are due in large part to the non-cash revaluation of the 2018 Debentures, and the non-cash finance costs from the accretion of the 2021 Debenture.

Funds used in operations decreased for the three- and nine-month periods ended September 30, 2023 compared to the prior comparative period in 2022. The significant improvement on a year-to-date basis can be attributed to higher revenue and gross margins, the timing of milestone and annual payments from enterprise clients, and receiving other income through government grants.

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

FINANCIAL AND OPERATING HIGHLIGHTS - QUARTERLY ANALYSIS

	2023			2022				2021
($ Cdn thousands)	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Enterprise revenue [1]	**606**	427	359	327	319	282	274	257
Non-enterprise revenue [1]	**82**	111	113	143	157	156	162	210
Subscription revenue [1]	**688**	538	472	470	476	438	436	467
Investment services revenue [1]	**26**	54	13	-	-	-	-	13
Integration revenue [1]	**7**	19	-	8	-	17	19	-
Total revenue	**721**	611	485	478	476	455	455	480
Gross profit [1]	**606**	516	384	380	378	351	354	377
Gross profit - percentage [1]	**84.0%**	84.5%	79.2%	79.5%	79.4%	77.1%	77.8%	78.5%
Selling, general, and administrative	**574**	524	427	486	484	343	510	578
Research and development	**210**	247	237	223	213	276	335	274
Adjusted EBITDA [1]	**(164)**	(239)	(262)	(299)	(283)	(316)	(471)	(435)
Net income (loss) and comprehensive income (loss)	**(195)**	(484)	(799)	163	(559)	(502)	(710)	(461)

LIQUIDITY AND CAPITAL RESOURCES

Working capital

As at	**September 30,**	December 31,	Increase (decrease)
($ Cdn thousands) - unaudited	**2023**	2022	in working capital
Current assets			
Cash and cash equivalents	**1,184**	1,370	(186)
Accounts receivable	**28**	321	(293)
Prepaid expenses	**4**	2	2
Total current assets	**1,216**	1,693	(477)
Current liabilities			
Accounts payable and accrued liabilities	**387**	285	102
Deferred revenue	**587**	621	(34)
Loan payable	**55**	43	12
Current portion of lease obligation	**-**	-	-
Convertible debentures - current portion	**3,848**	-	3,848
Total current liabilities	**4,877**	949	3,928
Working capital [1]	**(3,661)**	744	(4,405)

Liquidity

As at September 30, 2023, the Corporation's cash and cash equivalents were $1,184 (December 31, 2022: $1,370). As at September 30, 2023, the Corporation had a negative net working capital position of $3,661 as at September

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

30, 2023 (December 31, 2022: positive $744), the Corporation had a net loss for the nine-months ended September 30, 2023 of $1,478 (2022: $1,771), cash used in operating activities of $112 for the nine-month ended September 30, 2023 (2022: $562), and had a deficit of $10,211 as at September 30, 2023 (December 31, 2022: $8,928).

The Corporation carries debt in the form of the 2018 Debentures that matured in May 2023 and the 2021 Debentures that will mature in 2026, which could be required to be settled in cash (see Convertible Debentures section below).

The Corporation has not yet been able to generate the sales volumes required to create positive cash flows from operations. The continuation of the Corporation as a going concern is dependent upon the ability of the Corporation to continue to obtain external financing in order to fund operations. Additional financing will be required within the next several months for working capital and to fund the Corporation's operations and to settle its debts. In order to maintain or enhance its capital structure, the Corporation may issue new shares, new debt, or scale back the size and nature of its operations. Additional financing may be raised by bank debt, other forms of debt, or the issue of equity. It is possible and may be likely that such financing will not be available, or if available, will not be available on favorable terms. There is no assurance that it will continue to do so in the future. These circumstances indicate the existence of a material uncertainty that may cast significant doubt on the Corporation's ability to meet its obligations as they come due and, accordingly, continue as a going concern.

The Corporation considers the items included in capital to include shareholders' equity (deficiency) and convertible debentures. 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 regularly reviews its level of capital resources and actively manages 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.

SHAREHOLDERS' EQUITY

Issued and Outstanding

Number of common shares	
	Issued
Balance as at December 31, 2022, September 30, 2023, and November 28, 2023	71,523,066

Common shares

As at September 30, 2023, 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' Deficiency 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.

Warrants

As part of the 2021 Debenture financing, the Corporation issued to the holder warrants to acquire 12,000,000 common shares, exercisable at any time on or prior to March 5, 2026. Each warrant is exercisable into one common share at an exercise price of $0.25 per common share. The value ascribed to these warrants was $1,188 (see Convertible Debentures section).

Options

The Corporation has adopted a stock option plan whereby a maximum of 10% of the issued and outstanding common 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.

The following summarizes the changes in outstanding options:

	2023		2022	
	Number	Weighted average exercise price (CND$)	Number	Weighted average exercise price (CND$)
Outstanding - beginning of period	2,720,000	0.14	3,531,250	0.21
Granted	100,000	0.23	1,650,000	0.10
Forfeited	-	-	(2,461,250)	0.20
Outstanding - end of the period	2,820,000	0.14	2,720,000	0.14
Exercisable - end of the period	620,000	0.24	221,250	0.23

Restricted Share Unit Plan

The Corporation has a Restricted Share Unit plan ("RSU Plan"), under which it can grant restricted share units ("RSUs") to directors and management. RSUs represent the right to receive one common share of the Corporation upon vesting and are therefore considered equity-settled instruments.

On December 6, 2021, the Corporation granted RSUs to each of its two independent directors (the "2021 RSU Recipients"). In aggregate, 370,000 RSUs were granted with a vesting date of December 6, 2022. These grants represented compensation to the 2021 RSU Recipients for their respective service to the Corporation as Directors.

No RSUs were granted during the nine-months ended September 30, 2023 (2022: nil).

As at September 30, 2023, 370,000 restricted share units were outstanding (December 31, 2023 – 370,000).

LOAN PAYABLE

Canadian Emergency Business Account ("CEBA") Loan

During the year ended December 31, 2020, the Corporation was approved for repayable financing of a $40 operating line of credit under the government of Canada's CEBA loan program ("CEBA Loan 1"), bearing interest at 0%.

During the year ended December 31, 2021, the Corporation was approved for repayable financing of an additional $20 operating line of credit under the second phase of the CEBA loan program ("CEBA Loan 2"), also bearing interest at 0%.

Subsequently, the Canadian federal government announced the repayment deadline for both CEBA loans has been extended from December 31, 2022 to January 18, 2024 for all eligible borrowers in good standing.

The terms of the CEBA Loan 1 and CEBA Loan 2 are as follows:

- In January 2022, both lines of credit automatically converted to two-year term loans bearing interest at 0%, to be repaid on December 31, 2023. There is the option for the Corporation to extend the loans by two additional years on December 31, 2023, and if this extension is exercised, the term loans will mature on December 31, 2025, at which time the balance must be repaid in full.
- Both loans are interest-free until January 1, 2024. If the loans are extended, commencing January 1, 2024, interest will accrue on the outstanding balance at a rate of 5% per annum, payable monthly on the last day of each month.
- If the balance of the loans are repaid in full on or before December 31, 2023, $10 of each of the term loans will be forgiven (for a total of $20). The Corporation intends to repay the loans by December 31, 2023.

CEBA Loan 1 of $40 was initially recorded at the fair value of $15. The initial discount of $25 on recognition of the loan at fair value has been recorded as deferred revenue and is recognized as other income (government grants) over the two-year term of the loan.

CEBA Loan 2 of $20 was initially recorded at the fair value of $7. The initial discount of $13 on recognition of the loan at fair value has been recorded as deferred revenue and is recognized as other income (government grants) over the two-year term of the loan.

CONVERTIBLE DEBENTURES

(a) 2018 Convertible debentures

During the year ended December 31, 2018, the Corporation issued convertible debentures ("2018 Debentures") with a principal balance of $3,050 maturing on May 30, 2023. At or after the maturity date, the holders may deliver a notice, at which point the principal and interest payable would become payable 12 months after receiving notice from the holders, and as such, have been presented as non-current on the Statement of Financial Position as at September 30, 2023. The debentures may also be extended beyond the maturity date by the holders, in which case the debentures will become due 12 months after receiving notice from the holder. During the year ended December 31, 2018, a convertible debenture holder elected to convert their $50 of convertible debentures plus accrued interest payable into 100,293 common shares.

On July 31, 2023 , the retraction notice period of the 2018 Debentures was changed from a 12 month notice period to a six month notice period. The retraction notice shall not be delivered by the Holder before November 30, 2023. Upon the date that is 6 months following the date the retraction notice is received by the Corporation, the convertible indebtedness and all accrued unpaid Interest will then become due and payable.

As at ($ Cdn thousands)	**September 30, 2023**	December 31, 2022
Balance at the beginning of period	**3,273**	3,030
Interest accrued during the period	**291**	366
Unrealized (gain) loss on convertible debentures	**284**	(123)
Balance at the end of the year	**3,848**	3,273
Face value of the convertible debentures at end of the period	**3,000**	3,000

The 2018 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. The face value of $3,000, plus all accrued interest, will be repayable six months after the debenture holders deliver notice after maturity, if not converted prior to this date.

The face value of the 2018 Debentures reconciles to the balance as at September 30, 2023 and December 31, 2022 as follows:

As at ($ Cdn thousands)	**September 30, 2023**	December 31, 2022
Face value	**3,000**	3,000
Interest accrued	**1,754**	1,463
Face value plus accrued interest	**4,754**	4,463
Fair value adjustment	**(906)**	(1,190)
Balance at the end of the period	**3,848**	3,273

The 2018 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)).

During the three- and nine-months ended September 30, 2023, the Corporation's monthly cash burn rate was such that the accrued annual rate of interest payable was 8.50% to 8.85% (compounded quarterly). The $3,000 outstanding in 2018 Debentures can be converted into common shares at the election of debenture holders at any time at a conversion price of $0.51 per share.

As at September 30, 2023, the unpaid accrued interest payable was $1,754 (December 31, 2022: $1,463). The unpaid accrued interest payable can be converted to shares, at the election of the debenture holders, at any time, at the volume-weighted average trading price per share for common shares over ten consecutive trading days ending on the trading day before the conversion date.

The 2018 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 2018 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 2018 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 as at December 31, 2022 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 39.4% (2022: 39.4%), interest payments of 8.5% to 12.0%, and a remaining expected term of 1.0 years (December 31, 2022: 1.4 years). The fair value of the conversion feature is determined using a Black-Scholes model with a volatility of 90% (2022: 90%), a risk-free rate of interest of 4.58% (December 31, 2022: 4.06%), a stock price of $0.25 (2022: $0.08) per share, and a remaining expected life of 1.0 years (2022: 1.4 years), as at December 31, 2022.

Sensitivity analysis:

A $0.01 increase in the share price within the Black-Scholes model would result in an increase in the fair value of the outstanding principal of the 2018 Debentures of $5. A 1% increase in the discount rate would result in a decrease in the fair value of the outstanding principal 2018 Debentures of $28. Comparable decreases in each of the share price and discount rate would result in a comparable opposite change in the fair value of the outstanding principal of the 2018 Debentures.

(b) 2021 Convertible debenture

As at **($ Cdn thousands)**	**September 30,** **2023**	**December 31,** **2022**
Face value	**3,000**	3,000
Financing costs	**62**	62
Proceeds from convertible debenture, net of financing costs	**2,938**	2,938
Allocation - convertible debenture - equity portion	**(1,292)**	(1,292)
Allocation - convertible debenture - warrant portion	**(1,188)**	(1,188)
Accretion on convertible debenture	**753**	455
Debenture liability balance at the end of the period	**1,211**	913

On March 5, 2021, the Corporation issued a convertible debenture ("2021 Debenture") for $3,000. The 2021 Debenture is non-interest bearing, with a maturity date of March 5, 2026. The 2021 Debenture is convertible to common shares at a conversion price of $0.23 per share. In addition, the purchaser received 12,000,000 warrants that can each be converted to one common share of the Corporation at a purchase price of $0.25 per share. The warrants expire March 5, 2026. The Corporation incurred $62 in financing costs related to legal and transaction processing charges.

The initial amount recognized for the detachable warrants and the 2021 Debenture was determined by applying the relative fair value approach. The fair value of the detachable warrants was estimated using the Black-Scholes option pricing model. The fair value of the 2021 Debenture was determined by estimating the fair values of both the debt component and conversion feature; the debt component by discounting the expected future cash flows at a market rate of interest of 45.0% for a comparable debt instrument without a conversion feature and the conversion feature using the Black-Scholes option pricing model. This resulted in $1,188 being assigned to the detachable warrants and $1,750 being assigned to the 2021 Debenture (net of transaction costs). The subsequent bifurcation of the 2021 Debenture into its liability and equity components was determined following the residual approach for the equity component; this resulted in an initial liability of $468 and the remaining $1,292 being allocated to the equity conversion feature (net of transaction costs).

The fair value of the detachable warrants and conversion feature was determined using a Black-Scholes model with a volatility of 90%, a risk-free rate of interest of 0.90%, a stock price of $0.30 per share, and a remaining expected life of 5.0 years, as at March 5, 2021.

COMMITMENTS AND CONTINGENCIES

Commitments

As at September 30, 2023, in the normal course of business, other than in relation to the convertible debentures, the Corporation has no material obligations to make future payments, representing contracts and other commitments that are known and committed.

OFF-BALANCE SHEET ARRANGEMENTS

The Corporation has no material undisclosed off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our results of operations, financial condition, revenues or expenses, liquidity, capital expenditures or capital resources.

RISK FACTORS

Prior to making any investment decisions regarding Katipult, investors should carefully consider, among other things, the risks described herein (including risks and uncertainties listed in the Forward-Looking Statements section in this MD&A).

Going Concern

These 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 assesses the Corporation's ability to continue as a going concern at each reporting date, using all quantitative and qualitative information available. Material uncertainties have been identified which may cast significant doubt upon the Corporation's ability to continue as a going concern. This assessment, by its nature, relies on estimates of future cash flows and other future events, whose subsequent changes would materially impact the validity of such an assessment.

Although the Corporation had a positive net working capital position of negative $3,661 as at September 30, 2023 (December 31, 2022: positive $744), the Corporation had a net loss for the nine-months ended September 30, 2023 of $1,478 (2022: $1,771), cash used in operating activities of $171 for the nine-month ended September 30, 2023 (2022: cash used in operating activities of $789), and had a deficit of $10,406 as at September 30, 2023 (December 31, 2022: $8,928).

In assessing whether the going concern assumption was appropriate, management considered relevant information available about the future, which was at least, but not limited to, the 12-month period from the date of this report. The following is considered in evaluating the going concern of the entity pertaining to the financial statements as at September 30, 2023:

- The Corporation has convertible debentures and accrued interest with a face value of $7,754 as at September 30, 2023. The convertible debentures mature in 2023 and 2026 which may be required to be settled in cash (see Convertible Debentures section). The 2018 Debentures with a principal balance of $3,000 and accrued interest of $1,754 as at September 30, 2023 and matured on May 30, 2023. At or after November 30, 2023, the holders may deliver a notice, at which point the principal and interest payable would become payable six months after receiving notice from holders, and as such, have been presented as non-current on the Statement of Financial Position as at September 30, 2023. The 2018 Debentures may also be extended beyond the maturity date by the holders, in which case the debentures will become due six months after receiving notice from the holder. The Corporation expects to receive notice from the debenture holders on November 30, 2023 meaning that the indebtedness and all accrued but unpaid interest will become due and payable on May 30, 2024.
- The Corporation has not yet been able to generate the sales volumes required to create positive cash flows from operating activities. The Corporation has a history of operating losses since inception.
- The Corporation has relied on equity and debt financings to fund its operating losses. Although the Corporation has a good track record for raising financing there is no guarantee it will be successful in its efforts to raise additional financing or if financing is available, that it will be on terms that are acceptable to the Corporation. While the Corporation has previously been successful in raising external capital to fund its operations, there is no assurance that it will continue to do so in the future.

The Corporation’s ability to continue as a going concern is dependent upon its ability to renegotiate debt repayment terms, raise adequate additional financing and/or achieve significant improvements in operating results in the future.

The assessment of the Corporation’s ability to execute its strategy and fund future operations and working capital requirements involves significant judgment. Estimates and assumptions regarding future operating costs, revenue and profitability levels and general business and customer conditions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. As at September 30, 2023 the outcome of these activities is unknown and subject to considerable uncertainty that cast significant doubt on the Corporation’s ability to meet its obligations as they come due and, accordingly, continue as a going concern.

These financial statements do not include necessary adjustments to reflect the recoverability and classification of recorded assets and liabilities and related expenses that might be necessary should the Corporation be unable to continue as a going concern. Such adjustments could be material.

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 risks - which are more fully described in the Corporation’s MD&A for the year ended December 31, 2022:

Financial Risks

- Fluctuation in Quarterly Results
- Financing Risks
- Economic Conditions
- History of Operating Losses
- Negative Operating Cash Flow
- Our levels of indebtedness can have negative implications for our shareholders
- Control of the Corporation
- Market Price of the Common Shares
- Dilution
- Dividend Policy
- Conflicts of Interest
- Inflation

Risks Relating to the Corporation’s Technology

- Cyber Security Risks
- Risks Related to Cloud Based Solutions
- Failure to Continue to Adapt to Technological Change and New Product Development
- Risk of Defects in the Corporation's Solution
- Competition
- Protection of Intellectual Property

Risks Related to the Corporation’s Operations

- Ability to Manage Future Growth
- Risks Associated with Market Expansion
- Dependence on Market Growth
- Lengthy Sales and Implementation Cycle
- Dependence on Management and Key Employees
- Risk Associated with a Change in the Corporation's Pricing Model
- Operational Service Risk
- Dependence on Partners
- Delay or Failure to Realize Anticipated Benefits of Key Account Installations
- Use of the Corporation’s Services for Improper or Illegal Purposes
- Uninsured and Underinsured Losses
- Misconduct and/or Errors by Employees and Service Providers
- Insurance and Uninsured Risks

Legal and Regulatory Risks

- Privacy Concerns and Legislation
- Regulatory Environment

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CORPORATE INFORMATION

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Director and Chief Executive Officer

Brock Murray
Director and Head of Global Development

Pheak Meas
Director and Head of UX and Design

Officers

Gord Breese
Chief Executive Officer

Karim Teja, CPA, CGA
Chief Financial Officer

Ben Cadieux
Chief Technology Officer

Pheak Meas
Head of UX and Design

Brock Murray
Head of Global Development

William Van Horne
Corporate Secretary

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