Q1 2021

Condensed Interim Financial Statements

Katipult Technology Corp. March 31, 2021

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

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

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

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STATEMENTS OF FINANCIAL POSITION

As at		**March 31,**	December 31,
($ Cdn thousands) - unaudited	Note	**2021**	2020
Assets			
Current assets			
Cash and cash equivalents		**3,746**	865
Accounts receivable		**33**	40
Prepaid expenses		**14**	10
Total current assets		**3,793**	915
Property and equipment		**3**	4
Right of use asset		**39**	46
Total assets		**3,835**	965
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		**181**	221
Deferred revenue		**632**	433
Current portion of lease obligation		**35**	33
Total current liabilities		**848**	687
Lease obligation		**13**	23
Loan payable	3	**22**	15
Convertible debentures	4	**3,656**	2,662
Total liabilities		**4,539**	3,387
Shareholders' Deficiency			
Share capital	5	**2,342**	2,186
Contributed surplus		**1,548**	442
Convertible debentures - equity portion	4	**1,294**	-
Deficit		**(5,888)**	(5,050)
Total shareholders' deficiency		**(704)**	(2,422)
Total liabilities and shareholders' deficiency		**3,835**	965

Going concern	2 (d)
Subsequent events	5 (b)

(See Notes to the Condensed Interim Financial Statements)

Approved on behalf of the Board:

“signed” Jeff Dawson
Director

“signed” Gord Breese
Director

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STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
For the three months ended March 31,

($ Cdn thousands, except per share amounts) - unaudited	Note	2021	2020
Revenue	7	**383**	360
Cost of revenue	8	**78**	65
Gross profit		**305**	295
Expenses			
Selling, general, and administrative	8	**400**	517
Research and development	8	**190**	182
Foreign exchange		**22**	(44)
Depreciation and amortization		**8**	4
Other income	9	**(23)**	(3)
Loss before finance costs, unrealized loss (gain) on convertible debentures		**(292)**	(361)
Finance costs	8	**118**	89
Unrealized loss on convertible debentures	4	**428**	278
Net loss and comprehensive loss		**(838)**	(728)
Loss per share			
Basic / Diluted	6	**(0.01)**	(0.01)

(See Notes to the Condensed Interim Financial Statements)

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STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY

For the three months ended March 31, 2021 and 2020

($ Cdn thousands, except share amounts) - unaudited

	Note	Common Shares	Share Capital	Contributed surplus	Convertible debenture - equity portion	Deficit	Total shareholders' deficiency
Balance at December 31, 2020		**69,279,316**	**2,186**	**442**	**-**	**(5,050)**	**(2,422)**
Net loss and comprehensive loss		**-**	**-**	**-**	**-**	**(838)**	**(838)**
Shares issued on exercise of stock options	5	**1,200,000**	**156**	**(36)**	**-**	**-**	**120**
Issuance of convertible debenture	4	**-**	**-**	**-**	**1,294**	**-**	**1,294**
Issuance of warrants	4	**-**	**-**	**1,186**	**-**	**-**	**1,186**
Share-based payments	5	**-**	**-**	**(44)**	**-**	**-**	**(44)**
Balance at March 31, 2021		**70,479,316**	**2,342**	**1,548**	**1,294**	**(5,888)**	**(704)**
Balance at December 31, 2019		68,633,663	2,005	409	-	(3,173)	(759)
Net loss and comprehensive loss		-	-	-	-	(728)	(728)
Share-based payments	5	-	-	137		-	137
Balance at March 31, 2020		68,633,663	2,005	546	-	(3,901)	(1,350)

(See Notes to the Condensed Interim Financial Statements)

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STATEMENTS OF CASH FLOWS For the three months ended March 31, ($ Cdn thousands) - unaudited	Note	2021	2020
Cash flows provided by (used in)			
Operating activities			
Net loss and comprehensive loss		**(838)**	(728)
Adjustments for:			
Depreciation and amortization		**8**	4
Foreign exchange		**22**	(44)
Finance costs	8	**118**	89
Unrealized loss on convertible debentures	4	**428**	278
Share-based payments	8	**(44)**	137
Other		**(1)**	(3)
Interest - paid		**(5)**	(9)
Interest - received		**1**	3
Funds used in operations before change in non-cash working capital		**(311)**	(273)
Change in non-cash working capital		**123**	(70)
Total funds used in operating activities		**(188)**	(343)
Investing activities			
Investment in marketable securities, net		**-**	(97)
Total funds used in investing activities		**-**	(97)
Financing activities			
Proceeds from convertible debenture, net of financing costs	4	**2,938**	-
Proceeds from exercised stock options		**120**	-
Proceeds from loan payable		**20**	-
Repayment of lease obligation		**(8)**	-
Total funds provided by financing activities		**3,070**	-
Effect of translation of foreign currency cash		**(1)**	34
Net increase (decrease) in cash		**2,881**	(406)
Cash and cash equivalents, beginning of period		**865**	1,855
Cash and cash equivalents, end of period		**3,746**	1,449

(See Notes to the Condensed Interim Financial Statements)

1. STRUCTURE OF CORPORATION

Organization

Katipult Technology Corp. (the "Corporation" or "Katipult") is a provider of an industry-leading and award-winning 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 Corporation Act* (Alberta). 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 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 financial transactions, investment marketing, and investor repayments 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 transaction-based revenue and has earned integration revenue in the past. Transaction revenue is comprised of irregular recurring fees charged to clients on qualifying transactions processed through Katipult's software. While this revenue is expected to be recurring in nature, it will be irregular in size and timing as it is based on the number of qualifying transactions processed by the client. Integration revenue is earned from 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.

2. BASIS OF PREPARATION

(a) Statement of compliance:

Statement of compliance:

These condensed interim financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) applicable to the preparation of interim financial statements. These condensed interim financial statements were prepared using International Accounting Standard (IAS) 34 - Interim Financial Reporting as at and for the three-month ended March 31, 2021. These condensed interim financial statements were authorized for issuance by the Board of Directors on May 27, 2021.

These condensed interim financial statements were prepared by management and follow the same accounting policies and methods as the audited financial statements as at and for the year-ended December 31, 2020. These condensed interim financial statements do not contain all the disclosures contained in the annual financial statements. As a result, these condensed interim financial statements should be read in conjunction with the Corporation's annual financial statements for the year-ended December 31, 2020, prepared in accordance with IFRS as issued by the IASB.

(b) Basis of measurement:

The financial statements have been prepared on the historical cost basis, other than the convertible debentures, which are measured at fair value. See Note 4 for more details.

(c) Functional and presentation currency:

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

(d) 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.

As at March 31, 2021, the Corporation's cash and cash equivalents were $3,746 (December 31, 2020: $865). The Corporation had a positive net working capital position of $2,945 (December 31, 2020: $228). However, the Corporation had a net loss for the period ended March 31, 2021 of $838 (December 31, 2020: $1,877), used cash in operations of $188 (December 31, 2020: $1,015), and had a deficit of $5,888 at March 31, 2021 (December 31, 2020: $5,050).

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 after March 31, 2021 is uncertain. Management is aware, in making its going concern assessment, of material uncertainties related to events and conditions that may cast significant doubt upon the Corporation's ability to continue as a going concern. 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.

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 and government-imposed quarantine periods and social distancing, have caused material disruption to businesses globally, resulting in increased economic uncertainty. Global equity markets have experienced increased volatility during this period. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. While the Corporation continues to operate in a similar manner due to its SaaS model, 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.

3. 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 three-month period ended of March 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%.

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

- In January 2021 both lines of credit automatically converted to two-year term loans bearing interest at 0%, to be repaid on December 31, 2022. There is the option to extend both the loans by three years on December 31, 2022, 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, 2023. Commencing January 1, 2023, interest accrues 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, 2022, $10 of each of the term loans will be forgiven (for a total of $20).

CEBA Loan 1 of $40 was initially recorded at the fair value of $15. The $10 forgivable portion has been recorded as a government grant. The initial discount of $15 on recognition of the loan at fair value has been recorded as deferred revenue and the grant recognition and related accretion has been included in government grants and interest expense in the statements of operations and comprehensive loss.

CEBA Loan 2 of $20 was initially recorded at the fair value of $5. The $10 forgivable portion has been recorded as a government grant. The initial discount of $5 on recognition of the loan at fair value has been recorded as deferred revenue and the grant recognition and related accretion has been included in government grants and interest expense in the statements of operations and comprehensive loss.

4. CONVERTIBLE DEBENTURES

(a) 2018 Convertible debentures

During the year ended December 31, 2018, the Corporation issued convertible debentures ("2018 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. 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.

As at **($ Cdn thousands)**	**March 31,** **2021**	December 31, 2020
Balance at the beginning of period	**2,662**	2,295
Interest accrued during the period	**96**	322
Unrealized loss (gain) on convertible debentures	**428**	45
Balance at the end of the period	**3,186**	2,662

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 on maturity, if not converted prior to this date.

The face value of the 2018 Debentures reconciles to the balance at March 31, 2021 and December 31, 2020 as follows:

As at **($ Cdn thousands)**	**March 31,** **2021**	December 31, 2020
Face value	**3,000**	3,000
Interest accrued	**846**	750
Face value plus accrued interest	**3,846**	3,750
Fair value adjustment	**(660)**	45
Balance at the end of the period	**3,186**	3,795

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 months ended March 31, 2021, the Corporation's monthly cash burn rate such that the accrued annual rate of interest payable was between 8.50% and 11.85% (compounded quarterly). The $3,000 outstanding in

2018 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, 2021, the unpaid accrued interest payable was $846 (December 31, 2020: $750). 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 shares 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 at March 31, 2021 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% (2020: 39.4%), interest payments of 8.5% to 12.0%, and a remaining expected term of 2.2 years (December 31, 2020: 2.4 years), as at March 31, 2021. The fair value of the conversion feature is determined using a Black-Scholes model with a volatility of 125% (2020: 125%), a risk-free rate of interest of 0.22% (December 31, 2020: 0.20%), a stock price of $0.31 (2020: $0.25) per share, and a remaining expected life of 2.2 years (2020: 2.4 years), as at March 31, 2021.

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 $44. A 1% increase in the discount rate would result in a decrease in the fair value of the outstanding principal2018 Debentures of $33. 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)	March 31, 2021
Face value	**3,000**
Financing costs	**62**
Proceeds from convertible debenture, net of financing costs	**2,938**
Allocation - convertible debenture - equity portion	**(1,294)**
Allocation - convertible debenture - warrant portion	**(1,186)**
Accretion on convertible debenture	**12**
Balance at the end of the period	**470**

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.

In accordance with IAS 32, the Corporation has determined the fair value of the liability by discounting the expected future cash flows of the liability component at a market rate of interest of 45.0% for non-convertible debt, resulting in a liability value of $556.

The residual value assigned to equity is bifurcated between the conversion feature of the 2021 Debenture and the detachable warrant based on their respective values as determined by the Black-Scholes option pricing model. $1,186 was assigned to the detachable warrants and $1,294 was assigned to the equity conversion feature of the 2021 Debenture.

5. SHARE CAPITAL

(a) Common shares

($ Cdn thousands)	Note	Number	$
Balance, December 31, 2019		68,633,663	2,005
Shares issued on conversion of restricted share units		645,653	181
Balance, December 31, 2020		**69,279,316**	**2,186**
Shares issued on exercise of stock options	5 (b)	**1,200,000**	**156**
Balance, March 31, 2021		**70,479,316**	**2,342**

At March 31, 2021, the Corporation was authorized to issue an unlimited number of common shares without par value. The holders of common shares are entitled to one vote per share and all shares rank equally with regard to the Corporation’s residual assets.

(b) Contributed surplus

The contributed surplus included in the Shareholders' 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.

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 and the issuance of Restricted Share Units. 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.

During the year ended December 31, 2020, 600,000 stock options were granted, and 2,067,500 stock options were forfeited. The share price during the year ended December 31, 2020 averaged $0.26 per common share.

During the three-month ended March 31, 2021, 1,200,000 stock options were exercised, no stock options were granted, and 750,000 stock options were forfeited. The share price during the three-month ended March 31, 2021 averaged $0.29 per common share.

As at March 31, 2021, 1,400,000 stock options were exercisable (December 31, 2020: 2,600,000).

Subsequent to the period end, 400,000 stock options were exercised for $40 in cash.

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.

On December 1, 2020, the Corporation granted RSUs to each of its three independent directors (the "2020 RSU Recipients"). In aggregate, 493,750 RSUs were granted. These grants represented compensation to the 2020 RSU Recipients for their respective service to the Corporation as Directors. Each RSU represents the right to receive one common share of the Corporation upon vesting. All of the RSUs granted on December 1, 2020 will vest on September 1, 2021, subject to the terms and conditions set forth in the RSU Plan. The RSUs are valued at $0.24 per RSU, being the Corporation's common share price on the issuance date.

6. EARNINGS PER SHARE

Basic earnings per share and diluted earnings per share for the three-month ended March 31, 2021 and 2020 is based on the net earnings attributable to shareholders as reported in the statements of operations and comprehensive loss and diluted weighted average number of common shares outstanding in the relevant period:

For the three months ended March 31, ($ Cdn thousands, except per share amounts)	**2021**	2020
Weighted average number of common shares		
Basic	**69,919,316**	68,633,663
Diluted	**69,919,316**	68,633,663

Potential common shares arising from the securities listed below were excluded from the weighted average number of diluted common shares outstanding for March 31, 2021 because they were anti-dilutive:

- 2,925,000 stock options;
- 2018 Convertible debentures with a principal amount of $3,000 which can be converted into common shares at $0.51 at the election of the debenture holders for a total of 5,882,353 shares and as at March 31, 2021, the unpaid accrued interest payable of $846 which can be converted to shares at the election of the debenture holders at any time at the volume-weighted average trading price per shares for common shares over the ten consecutive trading days ending on the trading day before the conversion date;
- 2021 Convertible debentures with a principal amount of $3,000 which can be converted into common shares at $0.23 at the election of the debenture holders for a total of 13,043,479 shares;
- 12,000,000 warrants exercisable at $0.25; and
- 493,750 restricted share units.

7. REVENUE

For the three months ended March 31, ($ Cdn thousands)	**2021**	2020
Subscription revenue	**378**	329
Transaction revenue	**5**	-
Integration revenue	**-**	31
Total revenue	**383**	360

The Corporation presents revenue in three major categories:

(a) Subscription revenue is comprised of monthly recurring Software as a Service (SaaS) fees charged to clients for access to operate the hosting platform, software updates, new features and technical support.

(b) Transaction revenue is comprised of fees charged to clients on transactions processed through Katipult's software. 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.

(c) Integration revenue is comprised of 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.

8. EXPENSES BY NATURE

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

For the three months ended March 31, ($ Cdn thousands)	2021	2020
Expenses		
Salaries, subcontractors, and benefits	**540**	416
Marketing and sales costs	**16**	39
External services and facilities	**163**	155
Bad debt expense	**(7)**	17
Share-based payments	**(44)**	137
	668	764
Allocated to:		
Cost of revenue	**78**	65
Selling, general, and administrative	**400**	517
Research and development	**190**	182
	668	764
Finance costs		
Bank related charges	**5**	9
Interest on convertible debentures	**96**	74
Interest on lease obligation	**3**	6
Accretion on convertible debenture	**12**	-
Other interest and charges	**2**	-
Total finance costs	**118**	89

9. OTHER INCOME

For the three months ended March 31, ($ Cdn thousands)	2021	2020
Other and interest income	**(1)**	(3)
Government grants	**(22)**	-
Total other income	**(23)**	(3)