Q1 2021

Management Discussion & Analysis

Katipult Technology Corp. March 31, 2021

The discussion and analysis of the financial condition and results of operations of the Corporation is prepared as at May 27, 2021 and should be read in conjunction with the unaudited condensed interim financial statements of Katipult Technology Corp., and the notes thereto, for the three months period ended March 31, 2021, and with the audited financial statements of Katipult Technology Corp., and the notes thereto, for the year ended December 31, 2021.

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-month periods ended March 31, 2021, is dated May 27, 2021, 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 months ended March 31, 2021. The MD&A should be read in conjunction with the unaudited condensed interim financial statements and related notes for the three-month period ended March 31, 2021, and the annual financial statements and related notes for the year ended December 31, 2020, 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.

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 sustainability, 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.

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* is a useful supplemental measure of operations and 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. Other key metrics are *Monthly Recurring Revenue ("MRR")* and *Churn Rate*. 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 fair value adjustments 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)	**2021**	2020
Net loss	**(838)**	(728)
Plus:		
Depreciation and amortization	**8**	4
Finance costs	**118**	89
Unrealized loss on convertible debentures	**428**	278
Foreign exchange	**22**	(44)
Share-based payments	**(44)**	137
Other income	**(23)**	(3)
Adjusted EBITDA	**(329)**	(267)

“**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	**March 31,**	December 31,	Increase (decrease)
($ Cdn thousands) - unaudited	**2021**	2020	in working capital
Current assets			
Cash and cash equivalents	**3,746**	865	2,881
Accounts receivable	**33**	40	(7)
Prepaid expenses	**14**	10	4
Total current assetes	**3,793**	915	2,878
Current liabilities			
Accounts payable and accrued liabilities	**181**	**221**	(40)
Deferred revenue	**632**	**433**	199
Current portion of lease obligation	**35**	**33**	2
Total current liabilities	**848**	**687**	161
Working capital	**2,945**	**228**	2,717

“Monthly recurring revenue” or "**MRR**" is used by management as a measure of performance as a SaaS company. Management is focused on increasing the Corporation’s MRR with strategic development of the customer base. MRR is the sum of the monthly subscription revenue of the customers that have services as at the date disclosed.

“Churn” is used by management as a measure of performance as a SaaS company. Churn is measurement of MRR that is cancelled or not renewed.

ADDITIONAL GAAP MEASURES DEFINITIONS

“**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.

“Subscription revenue” consists 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.

"Transaction revenue" consists of fees charged to clients on qualifying services and/or 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.

"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

For the three months ended March 31, ($ thousands)	2021	2020
Subscription revenue [1]	**378**	329
Transaction revenue [1]	**5**	-
Integration revenue [1]	**-**	31
Total revenue	**383**	360
Gross profit [1]	**305**	295
Gross profit percentage [1]	**79.6%**	81.9%
Adjusted EBITDA [1]	**(329)**	(267)
Total comprehensive income (loss)	**(838)**	(728)

Subscription and Integration Revenue [1]

The Corporation continues to expand and improve its product to meet the evolving needs of existing and prospective new customers. Over the last several quarters, the Corporation has been focusing on the enterprise market and has made significant progress in capturing some well-established, well reputed companies that can be used as references to spur and support additional sales. Subscription revenue for the three-month ended March 31, 2021, increased to $378 compared to $329 recorded in the same period of 2020.

The Corporation reported its first transaction revenue during the first quarter of 2021. This is a new revenue stream for the Corporation and is the result of fees charged to clients on qualifying services and/or 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.

The Corporation did not have any integration revenue in the first quarter of 2021 compared to $31 earned in the first quarter of 2020. The Corporation expects to have limited to no integration revenue as it reduces its emphasis on non-recurring revenue streams.

Continued investment impacts Adjusted EBITDA[1] and Net Income

The gross profit percentage was 79.6% for the three-month period ended March 31, 2021 (three-month period ended March 31, 2020: 81.9%). The lower gross profit was largely due to lower integration revenue and an increase in cost of revenue. The Corporation has maintained a gross profit percentage of over 70.0% since the fourth quarter of 2017.

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

Adjusted EBITDA losses increased to $329 in the three-month period ended March 31, 2021 compared to the three-month period ended March 31, 2020 loss of $267, due mostly to the increased salaries, subcontractors, and benefits expenditures - as the Corporation invests in key employees - partially offset by an increase in subscription revenue. The Corporation's net loss and comprehensive loss increased to $839 in the first quarter of 2021 compared to $728 in the first quarter of 2020. The increased loss is due to a $428 change in the non-cash fair value of the Corporation's outstanding convertible debentures issued in 2018 (the "2018 Debentures") in addition to the reasons mentioned earlier, and higher finance costs from the accretion of the 2021 convertible debenture (the "2021 Debenture").

FIRST QUARTER 2021 HIGHLIGHTS

$3.0 million Unsecured Subordinated Convertible Debenture

On March 5, 2021, Katipult announced the close and issuance of $3.0 million of unsecured subordinated convertible debentures (the "2021 Debentures") to Canaccord Genuity Group Inc. ("Canaccord Genuity" or "CG"), with no interest (0% coupon) and maturing after five years at which time the principal amount will become due and payable. Until the maturity date, the 2021 Debenture may be converted into common shares in the capital of the Corporation at a conversion price of $0.23 per common share. As part of the financing, the Corporation issued warrants to acquire 12,000,000 common shares, exercisable at any time on or prior to the March 5, 2026. Each warrant is exercisable into one common share at an exercise price of $0.25 per common share.

Raymond James Associates, Inc.

On March 8, 2021, the Corporation announced the addition of Raymond James Associates, Inc. in the US to its growing customer list. Katipult will support operations across their spectrum of offerings while streamlining and automating internal processes like assigning financial advisor allocations, distributing investor subscription documents, and standardizing regulatory compliance and reporting. This relationship is part of management's strategy to grow the Corporation's portfolio of tier 1 financial institutions and investment banks embracing fully digital capital raises and investor servicing.

Expanded Commercial Relationship with Canaccord Genuity

On March 23, 2021, the Corporation announced that it entered into a multi-year software license agreement and a strategic co-marketing agreement with Canaccord Genuity.

The agreements support Katipult's growth and market expansion plans with a focus on strengthening its market position in Canada and expanding its presence in the U.S., UK and Australian capital markets. This expanded commercial relationship serves to forge a productive relationship between Katipult and CG that:

- Provides Canaccord Genuity with access to Katipult's software for deployment across its wealth management and capital markets businesses, which operate from locations in Canada, the U.S., UK and Australia, for the purpose of enabling CG to execute capital raising and related services in a secure digital environment;
- Leverages CG's established capital markets expertise and international presence to support Katipult in its deployment of existing and new technology solutions for expediting deal flow, managing compliance and fast-tracking the delivery of services to clients; and

- Fosters ongoing collaboration between Katipult and CG to support the continued advancement of Katipult's digital solutions, in support of Katipult's ambitions of becoming a leading global provider of capital markets software infrastructure.

SUBSEQUENT TO QUARTER END HIGHLIGHTS

VoPay Partnership and New Product Enhancements

On May 6, 2021, Katipult announced it had entered into a partnership agreement with VoPay to digitize online payments with speed, transparency, and traceability for its SaaS deal management platform. This agreement enables enhanced, real time payments across multiple channels including ACH, EFT, wire, and credit card. The integrated payment capability allows Katipult to better serve its US and Canadian customers and will generate incremental transactional revenue for Katipult.

Along with its VoPay partnership, Katipult added new product enhancements including:

- **Auto-Invest**: Investors can now automate their participation in deals by toggling "set and forget" preferences. Participation can be optimally tailored to the investors individual preferences without needing to be online the moment new investment offerings become available.
- **Repayments**: Issuers can now automate the capital return process including interest and dividend payments. Issuers simply define capital return rules and Katipult automatically processes these for investor accounts with comprehensive reporting via the investor portal.

Additions to Katipult's Executive Leadership Team

On May 19, 2021, Katipult announced the appointment of James Church as VP, Product, and Stephen Donovan, VP, Customer Success to further scale the Corporation's go-to-market strategy

Mr. Church brings extensive experience in product management and a proven track record of driving growth and building high value SaaS software products within the financial services industry. Mr. Church was most recently VP Products at FINCAD, a capital markets FinTech vendor. Prior to FINCAD, Mr. Church was a key member of the product leadership team at Crystal Decisions, introducing the Crystal Analysis product line and helping the company become the fastest growing Business Intelligence vendor. Crystal Decisions was sold for $820 million to Business Objects.

Mr. Donovan is a seasoned client relations leader who played a key role at Refinitiv (formerly Thomson Reuters Financial & Risk) tailoring engagement strategies that helped customers maximize the value derived from Refinitiv solutions. Mr. Donovan led the Customer Success team for commodity and equity trading in the Americas, where he helped drive retention rates of 90%. Prior to his leadership role, Mr. Donovan managed a portfolio of customers across Canada including commodity trading, pension funds, and corporates valued at $550 MRR.

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 continued focus on securing enterprise clients in North America have resulted in the Corporation securing new customers including Raymond James & Associates in the US as well as expanding its relationship with Canaccord Genuity in Canada. In addition, in the first quarter of 2021, the Corporation successfully raised $3.0 Million of additional capital through a direct investment from Canaccord Genuity in the form of Convertible Debentures with 0% interest. Combined, this puts the Corporation in a strong position - with the capital necessary and the well-recognized industry leaders as reference clients - to execute on its 2021 sales plan and continue the momentum of securing enterprise clients in North America. 2021 should also see the addition of new revenue streams through transaction and payment processing capabilities.

CORPORATE PROFILE

Organization

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 Corporations 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 dividend payouts 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 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 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.

RESULTS OF OPERATIONS

For the three months ended March 31,		
($ thousands)	**2021**	2020
Subscription revenue [1]	**378**	329
Transaction revenue [1]	**5**	-
Integration revenue [1]	-	31
	383	360
Cost of revenue	**78**	65
Gross profit [1]	**305**	295
Gross profit percentage [1]	**79.6%**	81.9%

The Corporation continues to expand and improve its product to meet the evolving needs of existing and prospective new customers. Over the last several quarters, the Corporation has been focusing on the enterprise market and has made significant progress in capturing some well-established, well reputed companies that can be used as references to spur and support additional sales. Subscription revenue for the three-month ended March 31, 2021, increased to $378 compared to $329 recorded in the same period of 2020.

The Corporation reported its first transaction revenue during the first quarter of 2021. This is a new revenue stream for the Corporation which consists of transaction charges to clients for qualifying transactions through the Platform. The Corporation expects to grow this recurring revenue stream but due to the transactional nature of how it is earned, the revenue will be irregular.

The Corporation did not have any integration revenue in the first quarter of 2021 compared to 31 earned in the first quarter of 2020. The Corporation expects to have limited to no integration revenue as it reduces its emphasis on non-recurring revenue streams.

One of the Corporations key metrics is Monthly Recurring Revenue (MRR) [1]. Management's focus is to grow the MRR through targeting more established customers. Management expects this strategy to generate higher per customer recurring revenue and reduce the current number of smaller customers. The MRR as at March 31, 2021, is $148, a net increase of $34 from the MRR at December 31, 2020. During the period, the Corporation increased MRR by $41 from new customers and reduced MRR by $7 from the churn of smaller, less established customers.

The gross profit percentage was 79.6% for the three-month ended March 31, 2021 (2020: 81.9%). The lower gross profit was largely due to lower integration revenue and a modest increase in cost of revenue due to higher hosting fees and post-sales support.

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

SELLING, GENERAL, AND ADMINISTRATIVE

For the three months ended March 31, ($ thousands)	2021	2020
Selling, general, and administrative less share-based payments and bad debt expense	**451**	363
Bad debt (recovery) expense	**(7)**	17
Share-based payment	**(44)**	137
Selling, general, and administrative	**400**	517

For the three-month period ended March 31, 2021, total selling, general and administrative (SG&A) expenses less share-based payments and bad debt expense increased by $88, compared to the same period in 2020. The increase is the result of additional management hires, offset by the decreased marketing and sales costs.

In the first quarter of 2021, the Corporation recovered $7 of a previously written-off bad debt. In 2020, the Corporation took a larger allowance for bad debts as a result of more customers having delayed payments as they deal with uncertainties in their own business. The Corporation continues to target more established customers and put in place processes that mitigate credit risk, including more robust contracts, maintaining a vigilant collection process, credit checks where practical, and establishing a reserve against revenue for estimated uncollectible invoices.

Due to the forfeiture of 750,000 unvested stock options in the first quarter of 2021, included in the SG&A expenses is a share-based payment of negative $45 compared to $137 in the first quarter of 2020. This non-cash expense is driven by the issuance and vesting of stock options and restricted share units.

RESEARCH AND DEVELOPMENT

For the three months ended March 31, ($ thousands)	2021	2020
Research and development	**190**	182

Research and development (R&D) expenses for the first quarter of 2021, increased by 4.4% to $190 compared to $182 incurred in the same period of 2020. The increase relates to additional salaries, subcontractors, and benefits of technical personnel recruited throughout last year and as such their full cost was not incurred in first quarter of 2020.

FOREIGN EXCHANGE

For the three months ended March 31, ($ thousands)	2021	2020
Foreign exchange	**22**	(44)

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

For the three months ended March 31, ($ thousands)	2021	2020
Bank related charges	**5**	9
Interest on convertible debentures	**96**	74
Interest on lease obligation	**3**	6
Accretion on convertible debentures	**12**	-
Other interest and charges	**2**	-
Finance costs	**118**	89
Unrealized loss on convertible debentures	**428**	278

Finance costs increased for the three-month period ended March 31, 2021, compared to the same period in the prior year mainly due to increased interest on convertible debentures and accretion on convertible debentures.

Interest on convertible debentures is related to the 2018 Debentures. The increase is mainly due to the compounding nature of the accrued interest and a higher effective interest rate based on the monthly ending cash balances. The interest is a non-cash item prior to maturity.

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

In the first quarter of 2021, the Corporation issued the 2021 Debenture and recorded a non-cash accretion on convertible debenture of $12.

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

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.

OTHER INCOME

For the three months ended March 31, ($ thousands)	2021	2020
Interest and other income	**(1)**	(3)
Government grant	**(22)**	-
Total other (income) and expenses	**(23)**	(3)

Other income and expenses contain items that occur outside of the normal operating activities of the Corporation. Government grants in the first quarter of 2021 related to CEBA loan of $12 with the remaining $10 related to the Scientific Research and Experimental Development program ("SRED").

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

For the three months ended March 31, ($ thousands)	2021	2020
Adjusted EBITDA (1)	**(329)**	(267)
Total comprehensive income (loss)	**(838)**	(728)
Funds used in operations (1)	**(311)**	(273)
Cash flow provided (used in) by operations	**(188)**	(343)

Adjusted EBITDA losses increased to $329 in the three-month period ended March 31, 2021 (three-month ended 2020: loss $267) due mostly to the increased salaries, subcontractors, and benefits expenditures - as the Corporation invests in key employees - partially offset by an increase in subscription revenue.

The Corporation's net loss and comprehensive loss increased to $838 in the first quarter of 2021 compared to $728 in the first quarter of 2020. The increased loss is due to a $150 change in the non-cash fair value of the Corporation's outstanding 2018 Debentures, and higher finance costs from the accretion of the 2021 Debenture.

For the first quarter of 2021, the funds used in operations decreased. The decrease is largely due to the increase in revenue and increase in non-working capital, offset by an increase in salary, subcontractor, and benefits.

FINANCIAL AND OPERATING HIGHLIGHTS - QUARTERLY ANALYSIS

	2021	2020				2019		
($ Cdn thousands)	**Q1**	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Subscription revenue [1]	**378**	329	301	329	329	329	365	307
Transaction revenue [1]	**5**	-	-	-	-	-	-	-
Integration revenue [1]	-	-	-	-	31	53	22	77
Total revenue	**383**	329	301	329	360	382	387	384
Gross profit [1]	**305**	253	232	253	295	312	311	306
Gross profit - percentage [1]	**79.6%**	76.9%	77.1%	76.9%	81.9%	81.7%	80.4%	79.7%
Selling, general, and administrative	**400**	223	494	495	517	509	438	447
Research and development	**190**	195	190	219	182	161	190	212
Adjusted EBITDA [1]	**(329)**	(289)	(387)	(325)	(267)	(219)	(242)	(224)
Net income (loss) and comprehensive income (loss)	**(838)**	239	(768)	(620)	(728)	709	(353)	(707)

LIQUIDITY AND CAPITAL RESOURCES

Working capital

As at **($ Cdn thousands) - unaudited**	**March 31, 2021**	December 31, 2020	Increase (decrease) in working capital
Current assets			
Cash and cash equivalents	**3,746**	865	2,881
Accounts receivable	**33**	40	(7)
Prepaid expenses	**14**	10	4
Total current assetes	**3,793**	915	2,878
Current liabilities			
Accounts payable and accrued liabilities	**181**	**221**	(40)
Deferred revenue	**632**	**433**	199
Current portion of lease obligation	**35**	**33**	2
Total current liabilities	**848**	**687**	161
Working capital [1]	**2,945**	**228**	2,717

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

Liquidity

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.

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.

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.

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, government and self-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.

SHAREHOLDERS' EQUITY

Issued and Outstanding

Number of common shares	Issued
Balance as at December 31, 2019	68,633,663
Shares issued on conversion of restricted share units	645,653
Balance as at December 31, 2020	69,279,316
Shares issued on exercise of stock options	1,200,000
Balance as at March 31, 2020	70,479,316
Shares issued on exercise of stock options	400,000
Balance as at May 27, 2021	70,879,316

Common shares

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.

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 period 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 period 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.

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.

CONVERTIBLE DEBENTURES

2018 Convertible debentures

During the year ended December 31, 2018, the Corporation issued the 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	**March 31,**	December 31,
($ Cdn thousands)	**2021**	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	**March 31,**	December 31,
($ Cdn thousands)	**2021**	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 was 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 principal of the 2018 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.

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 the 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.

COMMITMENTS AND CONTINGENCIES

Commitments

As at March 31, 2021, 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

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 risks described herein (including risks and uncertainties listed in the Forward-Looking Statements section in this MD&A).

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 that could affect the Corporation are described below; however, they 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 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 risks - which are more fully described in the Corporation's MD&A for the year ended December 31, 2020:

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
- Pandemic Diseases – COVID-19 Response

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

CORPORATE INFORMATION

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Jeff Dawson
Audit Committee Chair

Marcus Shapiro
Compensation and Governance Chair

Gord Breese
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

Brock Murray
Head of Global Development

Pheak Meas
Head of UX and Design

Ben Cadieux
Chief Technology Officer

William Van Horne
Corporate Secretary

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