Q2 2018

Management Discussion & Analysis

Katipult Technology Corp. June 30, 2018

The discussion and analysis of the financial condition and results of operations of the Corporation is prepared as at August 27, 2018 and should be read in conjunction with the unaudited condensed consolidated interim financial statements of Katipult Technology Corp., and the notes thereto, for the three and six months ended June 30, 2018, and with the audited consolidated financial statements of Katipult Technology Corp., and the notes thereto, for the year ended December 31, 2017.

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 financial condition and results of operations is intended to help the reader understand the current and prospective financial position and operating results of Katipult Technology Corp. (the “Corporation” or “Katipult”). The MD&A discusses the operating and financial results for the three and six months periods ended June 30, 2018, is dated August 27, 2018, and takes into consideration information available up to that date.

The MD&A is based on the unaudited condensed consolidated interim financial statements of Katipult for the three and six months periods ended June 30, 2018. The MD&A should be read in conjunction with the unaudited condensed consolidated interim financial statements and related notes for the three and six months periods ended June 30, 2018, and the annual consolidated financial statements and related notes for the year ended December 31, 2017, prepared in accordance with International Financial Reporting Standards (IFRS). The Corporation's audited consolidated financial statements and unaudited condensed consolidated interim financial statements have been prepared on the "going concern" basis, which presumes that the Corporation will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

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

FORWARD-LOOKING STATEMENTS

The MD&A contains certain forward-looking statements relating to the Corporation’s plans, strategies, objectives, expectations and intentions. The use of any of the words “expect”, “anticipate”, “continue”, “estimate”, “objective”, “ongoing”, “may”, “will”, “project”, “should”, “believe”, “plans”, “intends”, “confident”, “might” and similar expressions are intended to identify forward-looking information or statements. Various assumptions were used in drawing the conclusions or making the projections contained in the forward-looking statements throughout this MD&A. The forward-looking information and statements included in this MD&A are not guarantees of future performance and should not be unduly relied upon. Forward-looking statements are based on current expectations, estimates, and projections that involve a number of risks and uncertainties, which could cause actual results to differ materially from those anticipated and described in the forward-looking statements. Such information and statements involve known and unknown risks, uncertainties, and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information or statements. In particular, but without limiting the foregoing, this MD&A may contain forward-looking information and statements pertaining to the fluctuations in the demand for the Corporation’s services; the ability for the Corporation to attract and retain qualified personnel; the existence of competitors; technological changes and developments; the existence of operating risks inherent in the financial technology (“fintech”) industry; assumptions regarding foreign currency exchange rates and interest rates; the existence of regulatory and legislative uncertainties; the possibility of changes in tax laws and general economic conditions including the capital and credit markets; assumptions made about future performance and operations. The Corporation cautions that the foregoing list of assumptions, risks, and uncertainties is not exhaustive. The forward-looking information and statements contained in this MD&A speak only as of the date of this MD&A and the Corporation assumes no obligation to publicly update or revise them to reflect new events or circumstances, except as may be required pursuant to applicable securities laws.

NON-GAAP MEASURES AND ADDITIONAL GAAP MEASURES

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

CORPORATE PROFILE

Organization

Katipult Technology Corp. (the “Corporation” or “Katipult”) is a technology company that aims to become a global leader in financial compliance software and investor administration related services. The Corporation is incorporated under the British Columbia Business Corporations Act. The registered address of the Corporation is 600, 777 Hornby Street, Vancouver, BC V6Z 1S4. Katipult is a publicly-traded company listed on the TSX Venture Exchange (“TSXV”) under the symbol “FUND”.

On May 25, 2017, the Corporation entered into a share exchange agreement (the “Agreement”) with JOI Media Inc. (“JOI”) pursuant to which the Corporation acquired all the outstanding common shares of JOI. JOI shareholders received 6,360.636064 shares of the Corporation for each JOI share. The transaction was completed on August 17, 2017 and JOI became a wholly-owned subsidiary of the Corporation. Following completion of the transaction, the Corporation continued the primary business of JOI. On August 11, 2017, the Corporation changed its name to "Katipult Technology Corp.".

Pursuant to the terms of the Agreement, and subject to completion of certain conditions precedent, including receipt of all necessary director, shareholder, regulatory and TSX Venture Exchange (“TSXV”) approvals, the Corporation listed on the TSXV on November 15, 2017.

Further details of this transaction are described in note 3 of the condensed consolidated interim financial statements for the three and six months ended June 30, 2018.

These condensed consolidated interim financial statements of the Corporation as at and for the three and six months periods ended June 30, 2018, are available upon request from the Corporation, at www.katipult.com or at www.sedar.com.

Operations

The main business of the Corporation is to operate as a financial technology company offering a cloud-based software infrastructure that allows firms to design, set up and operate an investment platform (“the Platform”). The Platform includes features and functionality that enables firms to offer securities on a prospectus-exempt basis to various types of investors. The Platform automates many components of investor and investment management including components of financial transactions, investment marketing, and dividend payouts as well as managing regulatory requirements in a variety of geographic jurisdictions.

Katipult works with its customers to customize the Platform during setup and integration in order to design a white-labeled, investor-facing website. The Platform includes modules for various user types, including investors, issuers, administrators and auditors, among others. The administrators are selected by clients from their staff and are provided a content management system which allows them the ability to manipulate content on the Platform.

The Corporation provides its proprietary software through a “Software As A Service” (“SAAS”) business model. The SAAS business model is well suited for cloud-based software solutions, especially ones that have a compelling ongoing need, like Katipult’s products. In exchange for a monthly subscription fee, customers benefit from software updates, new features and technical support. The Corporation also earns revenue through one-time set up fees. The set-up fee varies depending on the size and complexity of the client’s needs.

FINANCIAL AND OPERATION HIGHLIGHTS

($ thousands)	Three months ended June 30, 2018	2017	Six months ended June 30, 2018	2017
Subscription fees [1]	**137**	155	**263**	251
Set-up fees [1]	**191**	185	**377**	301
Total revenue	**328**	340	**640**	552
Gross margin [1]	**243**	262	**473**	399
Gross margin - percentage [1]	**74.1%**	77.1%	**73.9%**	72.3%
Adjusted EBITDA [1]	**(471)**	(57)	**(688)**	(84)
EBITDA [1]	**(557)**	(53)	**(799)**	(77)
Net loss	**(596)**	(58)	**(846)**	(87)
Total comprehensive income (loss)	**(596)**	(58)	**(846)**	(87)

15.9% Year over Year Increase in 1H Revenue and 8.7% Quarter over Quarter Increase in Subscription Revenue [1]

The product continues to be well received both from a stability and a functionality standpoint. Despite minimal marketing efforts, the positive experience of current customers has resulted in referrals and/or a positive reputation such that the Corporation continues to attract new opportunities. The Corporation charges a one-time set up fee to new clients. The set-up fee varies depending on the size and complexity of the client's needs.

Subscription fees were $137 thousand in the second quarter of 2018 which is 11.6% lower than booked revenue for the same period in 2017 but the quality of the receivables is much improved. When the Corporation was in its start-up phase in the 2014-16 period, it worked with a number of early adopters and brought on clients willing to help beta test Katipult's offering. Many of these clients were start-ups themselves and provided valuable insight and feedback. As the Corporation's focus was on product development and not sales, the Corporation did not initially have proper contracts, well defined collections procedures, or accounting and controls infrastructure in place to ensure timely receipt of receivables; in addition, perpetual licenses were typically agreed with such clients, a business model now discontinued in favour of the current SaaS model. In Q2 2017 the Corporation booked revenue of $72 thousand which was subsequently deemed uncollectable and written off in Q4 2017, the majority of which was from such early clients reflecting their perpetual licenses payment obligations and which are categorized within subscription fees. Since that time, the Corporation's client base has matured, the Corporation has targeted more established customers and has focused on putting in place processes that mitigate much of this risk in the future, including more robust contracts, timelier follow-up, credit checks where available, and establishing a reserve against revenue for estimated uncollectable invoices. In addition, no new perpetual licenses have been written since 2016. Adjusting for this, Q2 2018 subscription revenues represent a 65% increase over the adjusted Q2 2017 subscription revenues. On a quarter over quarter basis, subscription revenues increased by 8.7% over Q1 2018. Set-up fees remained steady quarter over quarter at $191 thousand in the second quarter of 2018 (2017: $185 thousand), as the Corporation brought on further new clients.

Given the costs incurred in delivering the Corporation's product has a step function, as the number of customers grows, the gross margin improves until a point in time when additional investment in capacity and support is required.

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

The Corporation's Comprehensive loss was $0.6 million for the second quarter of 2018 and $0.1 million for the second quarter of 2017. The higher loss is the result of increased selling, general and administrative costs related to being a publicly listed company and increased efforts to support additional sales inquiries and new installations. In addition, the Corporation incurred higher research and development costs ("R&D") to improve the stability, scalability and develop additional functions and features while reducing support and maintenance costs.

As an example of the R&D investment, during the second quarter, the Corporation released its proprietary secondary trading software that is offered on a white label basis to firms looking to launch a private or open exchange. Katipult achieved a major milestone and upheld its previously announced timeline of 2Q18 to introduce its secondary market product, which includes capabilities such as issuer buybacks, bulletin boards and auction-based price discovery. Katipult clients are now able to offer tradable securities, introduce smart contracts, and automate clearing and settlement for transactions at a much faster rate, while ensuring both the security of payments and regulatory requirements. Providing investors liquidity through a secondary marketplace is a valuable capability to firms in private capital markets, and there has been an increased demand for secondary trading capabilities from the software with the rise of ICOs and tokenization of assets.

Corporation continues to attract new customers, explore new opportunities and gain recognition and exposure

During six month period ended June 30, 2018, Katipult added a number of new clients including three regulated firms from the Middle East to its client list. One firm is a licensed investment company regulated by the Central Bank of the UAE, the second is a financial services provider regulated by the Dubai Financial Services Authority (DFSA) providing Private Wealth Advisory and Corporate Finance and the third is the Qatar Development Bank ("QDB"). These organizations were seeking an innovative solution to provide their users with an informative, responsible, accessible platform that controls the regulatory aspects and encourages investors and entrepreneurs to engage. Katipult's white label crowdfunding software was selected as the best match for QDB's requirements. Qatar, Dubai and Abu Dhabi are growing financial centres with a high quantity of prospective clients and an increasing friendly climate for financial technology (fintech) initiatives.

In addition, during the second quarter of 2018, in response to a promising market demand from both the United States and the United Kingdom, Katipult established offices in London and Los Angeles to accelerate sales growth, and directly support development of these key markets.

The Corporation closed $3.1 million financing attracting seasoned fintech veterans as investors and to the Board.

On May 30, 2018, the Corporation closed a $3.1 million non-brokered convertible debenture private placement. Terms of this financing are described in the Convertible Debenture section of this document or in Note 4 of the unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2018.

The Debenture holders are a group of six individual investors that includes:

- Brian Craig - Brian is a former CEO of Solium Capital Inc. ("Solium") and continues to bring vision and guidance as a Director. Prior to joining Solium full-time, Brian founded and was President and CEO of Stormworks Ltd., a privately held e-business services company that was acquired by Solium in 2002. Brian invests in many early-stage companies, including energy and technology start-ups. Brian has gained board and audit committee experience at several public and privately held companies. Brian was appointed to the Corporation's Board of Directors on closing of the financing.

- Mike Broadfoot - Mike joined Solium's board of directors in 2002, where he has been the Chairman for most of that tenure. He also served as Solium's CEO from 2011 and 2015. Mr. Broadfoot's other past experience includes being CEO of Engage Energy, an energy trading and marketing company (sold in 2002). He was the founder of a predecessor company to Engage in 1994. Mike is currently a founder and principal in Jemm Properties of Calgary (commercial real estate development). Past board experience includes Medgate (now Cority, the medical records software company), Curve Dental (dental practice software), Southern Lights Ventures of NZ (bio-medical materials), and Peyto (oil and gas producer). For all of those companies, Mike was a principal shareholder and either a founder or early stage investor. Mike was appointed to an Observer position on the Corporation's Board of Directors on closing of the financing.

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

RESULTS OF OPERATIONS

($ thousands)	Three months ended June 30, 2018	2017	Six months ended June 30, 2018	2017
Subscription fees [1]	**137**	155	**263**	251
Set-up fees [1]	**191**	185	**377**	301
	328	340	**640**	552
Cost of revenue	**85**	78	**167**	153
Gross margin [1]	**243**	262	**473**	399
Gross margin - percentage [1]	**74.1%**	77.1%	**73.9%**	72.3%

The product continues to be well received both from a stability and a functionality standpoint. Despite minimal marketing efforts, the positive experience of current customers has resulted in referrals and/or a positive reputation such that the Corporation continues to attract new opportunities. The Corporation charges a one-time set up fee to new clients. The amount charged varies based on the clients' needs and complexity.

Subscription fees were $137 thousand in the second quarter of 2018 which is 11.6% lower than booked revenue for the same period in 2017 but the quality of the receivables is much improved. When the Corporation was in its start-up phase in the 2014-16 period, it worked with a number of early adopters and brought on clients willing to help beta test Katipult's offering. Many of these clients were start-ups themselves and provided valuable insight and feedback. As the Corporation's focus was on product development and not sales, the Corporation did not initially have proper contracts, well defined collections procedures, or accounting and controls infrastructure in place to ensure timely receipt of receivables; in addition, perpetual licenses were typically agreed with such clients, a business model now discontinued in favour of the current SaaS model. In Q2 2017 the Corporation booked revenue of $72 thousand which was subsequently deemed uncollectable and written off in Q4 2017, the majority of which was from such early clients reflecting their perpetual licenses payment obligations and which are categorized within subscription fees. Since that time, the Corporation's client base has matured, the Corporation has targeted more established customers and has focused on putting in place processes that mitigate much of this risk in the future, including more robust contracts, timelier follow-up, credit checks where available, and establishing a reserve against revenue for estimated uncollectable invoices. In addition, no new perpetual licenses have been written since 2016. Adjusting for this, Q2 2018 subscription revenues represent a 65% increase over the adjusted Q2 2017 subscription revenues. On a quarter over quarter basis, subscription revenues increased by 8.7% over Q1 2018. Set-up fees remained steady quarter over quarter at $191 thousand in the second quarter of 2018 (2017: $185 thousand), as the Corporation brought on further new clients. The Corporation has been able to maintain its gross margin above 70% for the last three quarters.

SELLING, GENERAL, AND ADMINISTRATION

($ thousands)	Three months ended June 30, 2018	2017	Six months ended June 30, 2018	2017
Selling, general, and administrative less share-based payment	**441**	242	**704**	336
Bad debt expense	**23**	-	**23**	-
Share-based payment	**76**	-	**100**	-
Selling, general, and administrative	**540**	242	**827**	336

For the three and six months periods ended June 30, 2018, total selling, general and administration expenses increased by $0.3 million, compared to second quarter of 2017, and $0.5 million compared to the six months ended June 30, 2017 as a result of the Corporation's incurring additional selling and administrative costs as the business develops and higher professional fees relating to the Corporation now being a public company.

Included in the SG&A expenses is Share-based expense of approximately $0.1 million in the period. The expense is driven by the issuance and timing of vesting of stock options. This is a non-cash expense. No such expense was incurred in the previous year's comparative period.

RESEARCH AND DEVELOPMENT

	Three months ended June 30,		Six months ended June 30,	
($ thousands)	**2018**	2017	**2018**	2017
Research and development	**250**	77	**434**	147

The Corporation continues its research and development initiatives to increase the functionality that its clients derive from the Corporation's products as well as initiatives that speed up the onboarding process and allow for scalable deployments while reducing support and maintenance costs.

FOREIGN EXCHANGE

	Three months ended June 30,		Six months ended June 30,	
($ thousands)	**2018**	2017	**2018**	2017
Foreign exchange	**10**	2	**11**	3

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

FINANCE COSTS

	Three months ended June 30,		Six months ended June 30,	
($ thousands)	**2018**	2017	**2018**	2017
Bank related charges	**7**	4	**12**	8
Interest on convetible debentures	**22**	-	**22**	-
Accretion on convertible debentures	**8**	-	**8**	-
Other interest and charges	**1**	1	**4**	2
Finance costs	**38**	5	**46**	10

Finance costs have increased in 2018 compared to prior year. The increase was mainly the addition of the interest accrued and the accretion on the convertible debentures and was also due to the costs of increased transactions in the period. The interest and accretion on convertible debentures are non-cash items as the interest is accrued to maturity and the accretion is a non-cash calculation due to the bifurcation of the convertible debenture into its equity and debt components. For additional information on the convertible debentures please refer to note 4 of the interim financial statement or the Convertible Debenture section.

OTHER INCOME AND EXPENSES

($ thousands)	Three months ended June 30, **2018**	2017	Six months ended June 30, **2018**	2017
Government (grant) repayment	**-**	(6)	**-**	(10)
Other expenses	**-**	(6)	**-**	(10)

Other expenses contain expenses and recoveries that are infrequent and unusual in nature occurring outside of the normal operating activities of the Corporation and are unlikely to recur in the foreseeable future.

Other income and expenses in the first quarter of 2017 relate to government grants earned in the quarter. No such income or expenses were incurred in 2018.

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

($ thousands)	Three months ended June 30, **2018**	2017	Six months ended June 30, **2018**	2017
Adjusted EBITDA [1]	**(471)**	(57)	**(688)**	(84)
EBITDA [1]	**(557)**	(53)	**(799)**	(77)
Total comprehensive income (loss)	**(596)**	(58)	**(846)**	(87)
Funds provided (used in) by continuing operations [1]	**(472)**	(60)	**(692)**	(84)
Cash flow provided (used in) by continuing operations	**(349)**	(64)	**(597)**	(59)

The Corporation's net loss was $0.6 million in the second quarter of 2018 and $0.1 million in the second quarter of 2017.

Adjusted EBITDA was $(0.5) million in the second quarter of 2018 compared to $(0.1) million in the same period last year. The decrease is attributed to increased expenditures, mostly in selling, general and administrative expenses, and research and development.

The Corporation's funds provided by operations decreased in in the second quarter of 2018 compared to second quarter of 2017 mostly the result of the above noted costs.

FINANCIAL AND OPERATING HIGHLIGHTS - QUARTERLY ANALYSIS

	2018			2017			2016	
($ thousands)	**Q2**	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Subscription fees [1]	**137**	126	98	142	155	96	88	66
Set-up fees [1]	**191**	186	261	83	185	116	140	124
Total revenue	**312**	359	225	341	212	229	190	211
Gross margin [1]	**243**	230	269	140	262	137	172	145
Gross margin - percentage [1]	**74.1%**	73.7%	74.9%	62.2%	77.1%	64.6%	75.4%	76.3%
Adjusted EBITDA [1]	**(471)**	(217)	(316)	(214)	(57)	(27)	24	13
EBITDA [1]	**(557)**	(242)	(245)	(787)	(53)	(24)	88	16
Net loss	**(596)**	(250)	(244)	(793)	(58)	(29)	69	7
Total comprehensive income (loss)	**(596)**	(250)	(244)	(793)	(58)	(29)	69	7

LIQUIDITY AND CAPITAL RESOURCES

Working capital

As at **($ thousands) - unaudited**	**June 30, 2018**	December 31, 2017	Increase (decrease) in working capital
Current assets			
Cash and cash equivalents	**3,244**	345	2,899
Marketable securities	**12**	-	12
Accounts receivable	**66**	76	(10)
Tax credit recoverable	**-**	6	(6)
Prepaid expenses	**7**	-	7
	3,329	427	2,902
Current liabilities			
Accounts payable and accrued liabilities	**373**	**235**	138
	373	**235**	138
Working capital [1]	**2,956**	**192**	2,764

The key driver of the change in working capital is the increase in cash and cash equivalents of $2.9 million, offset by the increase of $0.1 million in accounts payable and accrued liabilities.

Liquidity

At June 30, 2018, the Corporation had $3.2 million (December 31, 2017: $0.3 million) cash on hand. In the second quarter of 2018, the Corporation raised capital through the issuance of convertible debentures.

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

While the Corporation has been able to demonstrate the ability to raise capital to fund its operations, the Corporation has not yet been able to generate the sales volumes required to create positive cash flows from operations. Whether and when the Corporation can generate sufficient operating cash flows to pay for its expenditures and settle its obligations as they fall due subsequent to June 30, 2018 is uncertain.

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

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

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

CONVERTIBLE DEBENTURES

As at **($ thousands) - unaudited**	**June 30,** **2018**	December 31, 2017
Convertible debentures	**3,050**	-
Issuance cost	**(65)**	-
Accretion	**8**	-
	2,993	-
Convertible debentures - debt portion	**2,299**	-
Convertible debentures - equity portion	**694**	-

In the second quarter of 2018, the Corporation issued convertible debentures of $3.1 million with a five year maturity date. The convertible debenture was bifurcated into an equity and a debt portion using the Black-Scholes valuation model using a fair value interest rate of 15%.

The convertible debentures have a variable interest charge based on the Corporation maintaining a monthly cash burn rate.

The interest rate is the lesser of:

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

As at June 30, 2018, the Corporation has been able to maintain the monthly cash burn rate and has accrued interest payable at 8.5%. The $3.1 million in convertible debentures can be converted into shares at the election of debenture holder at any time at a conversion price of $0.51 for a total of 5,980,393 shares.

The convertible debentures are convertible by 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 is equal to at least $0.017 per issue and outstanding Common Share.

SHAREHOLDERS' EQUITY

Issued and Outstanding

Number of common shares	Issued
Balance, December 31, 2015 and December 31, 2016	6,666
Cancellation of JOI's shares	(6,666)
Common shares issued and outstanding prior to RTO	19,200,000
Issuance of the shares to JOI shareholders at Exchange Ratio	42,400,000
Shares issued for finder's fee	200,000
Conversion of warrants to common shares	477,000
Balance, December 31, 2017	62,277,000
Conversion of warrants to common shares	**5,200,000**
Exercised stock options	**60,000**
Balance, June 30, 2018	**67,477,000**
Exercised stock options	**115,000**
Balance, August 27, 2018	**67,592,000**

Common shares

At June 30, 2018, 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 reserve included in the Shareholders' Equity section of the Statement of Financial Position comprises all share-based payment transactions that do not involve the issuance of shares, private placement proceeds allocated to unexercised share purchase warrants, and unexercised stock options.

Warrants

The Corporation completed a special warrant financing by issuing 477,000 special warrants (the "Special Warrants") for gross proceeds of $0.1 million. The special warrants were deemed exercised on November 1, 2017 and converted into 477,000 common shares of the Corporation.

Prior to completion of the RTO, the Corporation had 5,200,000 warrants outstanding. Each warrant required the holder thereof to purchase one additional common share at a price of $0.10 on or before the date that was six months following the listing date of November 15, 2017. Unexercised warrants would have expired on May 15, 2018.

In the first quarter of 2018, the Corporation received proceeds of $0.3 million from warrant holders who exercised their warrants and acquired 3,100,000 common shares of the Corporation. In the second quarter of 2018, the Corporation has received proceeds of $0.2 million from warrant holders who exercised their warrants and have acquired 2,100,000 common shares of the Corporation.

At June 30, 2018, no warrants were outstanding and exercisable. (December 31, 2017: 5,200,000).

Options

The Corporation has adopted a stock option plan whereby a maximum of 10% of the issued and outstanding Shares, from time to time, may be reserved for issuance pursuant to the exercise of options. Under the terms of the stock option plan, options may be granted only to: (i) employees, officers, directors, and consultants of the Corporation; and (ii) employees, officers, directors, and consultants of an affiliate of the Corporation.

In the second quarter of 2018, 60,000 stock options were exercised and 500,000 stock options were granted.

As of June 30, 2018, 1,112,500 options were exercisable (December 31, 2017: 307,500). Further details on the stock options are disclosed in Note 7 to the December 31, 2017 consolidated financial statements.

COMMITMENTS AND CONTINGENCIES

As of June 30, 2018, and as of the date of this MD&A, and in the normal course of business, other than in relation to the convertible debenture financing, the Corporation has no material obligations to make future payments, representing contracts and other commitments that are known and committed.

NON-GAAP MEASURES DEFINITIONS

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

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

"**EBITDA**" is a measure of the Corporation's operating profitability. EBITDA provides an indication of the results generated by the Corporation's principal business activities prior to how these activities are financed, assets are depreciated and amortized or how the results are taxed in various jurisdictions.

EBITDA is derived from the consolidated statements of operations and comprehensive income (loss) and is calculated as follows:

	Three months ended June 30,		**Six months ended June 30,**	
($ thousands)	**2018**	2017	**2018**	2017
Net loss	**(596)**	(58)	**(846)**	(87)
Plus:				
Depreciation and amortization	**1**	-	**1**	-
Finance costs	**38**	5	**46**	10
EBITDA	**(557)**	(53)	**(799)**	(77)

"**Adjusted EBITDA**" is used by management and investors to analyze EBITDA (as defined above) 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 provides an indication of the results generated by the Corporation's principal business activities prior to how these activities are financed, assets are depreciated, amortized and impaired, the impact of foreign exchange, how the results are taxed in various jurisdictions, effects of share-based payment expenses, and normalized other expenses not recurring in nature.

Adjusted EBITDA is calculated as follows:

	Three months ended June 30,		**Six months ended June 30,**	
($ thousands)	**2018**	2017	**2018**	2017
EBITDA	**(557)**	(53)	**(799)**	(77)
Plus:				
Foreign exchange	**10**	2	**11**	3
Share-based payment	**76**	-	**100**	-
Other income and expenses	**-**	(6)	**-**	(10)
Adjusted EBITDA	**(471)**	**(57)**	**(688)**	(84)

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

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

As at **($ thousands) - unaudited**	**June 30, 2018**	December 31, 2017	Increase (decrease) in working capital
Current assets			
Cash and cash equivalents	**3,244**	345	2,899
Marketable securities	**12**	-	12
Accounts receivable	**66**	76	(10)
Tax credit recoverable	**-**	6	(6)
Prepaid expenses	**7**	-	7
	3,329	427	2,902
Current liabilities	**-**	**-**	-
Accounts payable and accrued liabilities	**373**	**235**	138
	373	**235**	138
Working capital	**2,956**	**192**	2,764

ADDITIONAL GAAP MEASURES DEFINITIONS

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

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

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

"Subscription fees" are monthly recurring fees charged to clients for software updates, new features and technical support. The Corporation views this revenue to reasonably be expected to be continually provided on a periodic basis.

"Perpetual license" are annual fees charged to clients in exchange for software updates, new features and technical support. The Corporation discontinued this billing structure in the fourth quarter of 2017.

"Setup fees" are charges that are viewed by the Corporation to be one-time in nature to new clients for implementation and on-boarding of the clients onto the Platform. The set-up fee varies depending on the size and complexity of the client's needs.

BUSINESS RISKS

The business of Katipult Technology Corp. is subject to risk and uncertainties. Prior to making any investment decisions regarding Katipult, investors should carefully consider, among other things, the risk described (including risk and uncertainties listed in the Forward-Looking Statements section in this MD&A) and risk factors set forth in the most recent long form prospectus of the Corporation and the 2017 Management Discussion and Analysis. The long form prospectus of the Corporation and the 2017 Management Discussion and Analysis have been filed with SEDAR and can be accessed at www.sedar.com.

CRITICAL ACCOUNTING JUDGEMENT AND ESTIMATES

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

New Standards and Interpretations Adopted

A number of new standards and amendments to existing standards have been issued by the International Accounting Standards Board (IASB) that are effective after December 31, 2017. These new standards and amendments have been adopted and their impact on Katipult's consolidated financial statements are as follows:

IFRS 9 - Financial Instruments: IFRS 9 addresses classification and measurement of financial assets and replaces the multiple category and measurement models for debt instruments in IAS 39 – Financial Instruments – Recognition and Measurement (IAS 39) with a new measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and related dividends which will now limit recognition to fair value through profit or loss or at fair value through other comprehensive income.

Requirements for financial liabilities were also added in October 2010 but they largely carried forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

The standard is required to be applied for years beginning on, or after, January 1, 2018. The Corporation has adopted this standard. Management determined the impact of this adoption as being not material.

IFRS 15 – Revenue from Contracts with Customers: IFRS 15 replaces the previous guidance on revenue recognition and provides a framework to record revenue from contracts for the sale of goods or services, unless the contracts are in the scope of IAS 17 – Leases or other IFRS standards. Under IFRS 15, revenue is to be recognized to depict the transfer of goods or services in an amount that reflects the consideration to which the entity expects to be entitled following five steps:

1. Identify the contract with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when (or as) the entity satisfies a performance obligation

The new standard is effective for annual periods beginning on or after January 1, 2018, using either a full retrospective approach for all periods presented in the period or a modified retrospective approach. The Corporation has adopted this standard. Management determined the impact of this adoption as being not material.

New Standards and Interpretations Not Yet Adopted

IFRS 16 – Leases: IFRS 16 replaces the previous guidance on lease recognition and establishes principles for recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. The new standard brings most leases onto the statement of financial position for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting, however, will remain largely unchanged.

IFRS 16 will be effective for annual periods beginning on or after January 1, 2019, with early application permitted if IFRS 15 – Revenue from Contracts with Customers, has also been applied. The Corporation does not anticipate a material impact on its consolidated financial statements as a result of the adoption of this standard.

OUTLOOK AND GUIDANCE

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

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

The Corporation recently closed a significant financing and is now focused on building out its sales and marketing initiatives aimed at growing its revenue stream, expanding its market reach, exploring new opportunities and attracting quality personnel. While the Corporation intends to continue investing in research and development initiatives that improve the product’s functions, features and end user experience, the focus going forward will be on increasing the sales efforts through both direct and indirect channels, building brand recognition, continuing to improve the onboarding and customization activities and exploring ways to speed up the sale-cycle. The Corporation also intends to expend resources on building a more robust technical support and back-office infrastructure that can scale and support growth.

CORPORATE INFORMATION

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Jeff Dawson
Audit Committee Chairman

David Jaques
Governance & Compensation Committee Chair

Brian Craig
Director

Brock Murray
Chief Executive Officer & Co-Founder

Paul Sun
Director

Pheak Meas
Chief Product Officer & Co-Founder

Officers

Brock Murray
Chief Executive Officer & Co-Founder

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

Ben Cadieux
Chief Information Officer

Pheak Meas
Chief Product Officer & Co-Founder

Doug McLean, M.Sc.
Chief Technology Officer

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