2018

Management Discussion & Analysis

Katipult Technology Corp. December 31, 2018

MANAGEMENT DISCUSSION AND ANALYSIS

The following management discussion and analysis (MD&A) of the consolidated financial condition and consolidated results of operations is intended to help the reader understand the current and prospective consolidated financial position and consolidated operating results of Katipult Technology Corp. (the "Corporation" or "Katipult"). The MD&A discusses the operating and financial results for the three and twelve months ended December 31, 2018, is dated April 24, 2019, and takes into consideration information available up to that date.

The MD&A is based on the annual consolidated financial statements for the year ended December 31, 2018. The MD&A should be read in conjunction with the annual consolidated financial statements and related notes for the year ended December 31, 2018, prepared in accordance with International Financial Reporting Standards (IFRS). The Corporation's audited consolidated 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.

The MD&A is presented in Canadian dollars, which is the Corporation and its subsidiary'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). All amounts are denominated in Canadian dollars (CND$) 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.

FINANCIAL AND OPERATION HIGHLIGHTS

For the year ended December 31, ($ Cdn thousands)	2018	2017	2016
Subscription revenue [1]	**702**	491	318
Integration revenue [1]	**523**	645	479
Total revenue	**1,225**	1,136	797
Gross profit [1]	**903**	808	628
Gross profit - percentage [1]	**73.7%**	71.1%	78.8%
Adjusted EBITDA [1]	**(1,611)**	(614)	117
EBITDA [1]	**(1,851)**	(1,109)	183
Net loss	**(2,073)**	(1,124)	141
Total comprehensive income (loss)	**(2,073)**	(1,124)	141

43.0% Year over Year Increase in Subscription Revenue [1]

Subscription revenue increased 43.0% in 2018 to $702 compared the prior year (2017: $491). The Corporation continues to attract interest from potential clients including small and medium sized private equity, private lending and commercial real estate organizations and recently has attracted the interest of larger, more established organizations. In fourth quarter of 2018 the Corporation recorded subscription revenue of $251 compared to $98 in fourth quarter of 2017; being the Corporation's highest reported subscription revenue in a quarter to date.

Integration revenue fluctuates from quarter-to-quarter as it is dependent on the number of new customers brought on in the quarter and the requested level of services. As the Katipult product functionality matures and becomes more scalable the Corporation will continue to reduce its emphasis on non-recurring integration revenue. Integration revenue was lower in 2018 as compared to 2017 as the Corporation successfully began transitioning a greater proportion of its revenue stream to subscription based revenue. In addition, the Corporation began focusing on targeting fewer but more lucrative larger clients, especially in the latter half of 2018. This is part of a deliberate strategy at Katipult to move up market and to demonstrate our value proposition in the enterprise market.

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

The gross profit as a percentage of sales increased to 73.7% in 2018 (2017: 71.1%). The Corporation has maintained gross profit percentage over 70.0% for the past five quarters. The costs incurred in delivering the Corporation's product has a step function, as the number of customers grows, the gross profit improves until a point in time when additional investment in capacity and support is required. The Corporation is rapidly approaching capacity and has embarked on an initiative to streamline the processes. Even with this, the Corporation anticipates adding additional resources in the second half of 2019 to keep up with demand, especially if the Corporation is successful in attracting a higher segment of the market.

The Corporation continues to strategically and measuredly invest in its research and development efforts, with a focus on enhancing scalability and adding additional sophistication, features and controls required by the larger market players. Katipult also continues to pursue new forward-looking technologies and secured funding of up to $120 from the National Research Council of Canada Industrial Research Assistance Program (NRC IRAP), to support the development of an "Investor License" blockchain application on a decentralized network.

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

The Corporation's selling, general, and administrative expenses were also significantly higher in 2018 due to higher sales and marketing initiatives and additional regulatory and public Corporation expenses incurred for a full year as compared to only part of 2017. The additional expenses impacted the Adjusted EBITDA of ($1,611) (2017: ($614)).

The Corporation's total comprehensive loss in 2018 amounted to $2,073, compared to $1,124 in 2017. The higher loss is the result of increased selling, general and administrative costs and higher research and development costs ("R&D") as previously discussed. These additional expenses were partially offset by higher revenues and higher gross profits. The Corporation incurred additional financing costs of $218 from interest and issuance costs related to the convertible debenture issued during the year; no such expenses existed in 2017.

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 and in Note 6 of the audited financial statements for the year ended December 31, 2018.

The Debenture holders are a small group of individual investors including:

- 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.

Corporation continues to attract new customers, explore new opportunities, gaining recognition and international exposure – 2018 Recap

2018 was a transformative year for Katipult as an organization and on January 18 the Corporation had the privilege of opening the trading of the TSXV and benefitting from significant media exposure. The year was highlighted by three main themes: product evolution, international sales traction and recognition, and the ongoing transition from a product-focused company to a sales-driven company.

The Corporation invested in its research and development efforts, with a focus on enhancing scalability and adding additional sophistication, features and controls required by larger market players. Katipult also pursued new forward-looking technologies applicable to its long term strategy.

The Corporation signed a Memorandum of Understanding with Polymath Inc., creator of the Polymath securities token platform, to collaborate in the development of a system of recording securities ownership and transmission using blockchain technology. This initiative was nominated for the Most Promising Partnership Award at the second

annual Lendit Fintech Industry awards, alongside some of the world's finance and fintech giants including partnerships involving Goldman Sachs, Macquarie Group, Swedbank, and Lending Club.

Katipult also pushed its own blockchain research and development and was awarded funding from the Government of Canada for its investor license development. Katipult was awarded $120 from the National Research Council of Canada Industrial Research Assistance Program (NRC IRAP), to support the development of an "Investor License" application on a decentralized network. The Investor License is intended to address all mechanisms of investor onboarding and auditability necessary for regulatory compliance.

The Corporation expanded its foothold in the Middle East by adding two regulated firms from the UAE 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. Katipult also named Qatar Development Bank ("QDB") to its client list. These organizations were seeking innovative solutions to provide their investors with an informative, responsible, accessible platform that controls the regulatory aspects of their business. 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.

Katipult announced the release of the first Dynamic Form Builder designed specifically to enable the rapid customization of sophisticated investor onboarding forms. In addition to the product launch, the Corporation announced that its client, MaRS VX, implemented the application, further integrating their Katipult-Powered Impact Investing platform SVX with Katipult technology. Katipult also announced the pilot of a Secondary Trading Module designed to be offered on a white label basis to firms looking to launch a private or open exchange.

The Corporation is seeing promising market demand from both the United States and the United Kingdom, and established a sales presence in both those markets. To ensure prudent deployment of capital, further growth investment in these markets will be demand driven.

In the fourth quarter, the Corporation was awarded a cash prize of $100,000 SGD (c $95,000) at the 2018 Singapore FinTech Festival, the world's largest platform for the global FinTech community. 40 finalists were shortlisted from more than 280 global submissions, with entries evaluated based on four criteria: impact, practicality, interoperability, and uniqueness and creativity. The winners were selected by a panel of 17 judges who represented a cross-section of international and local experts from the private and public sectors, including representatives of HSBC, Deloitte, DBS Bank. Accenture and Boston Consulting among others. This award was strong validation of Katipult's technology and the market need it addresses.

OUTLOOK AND GUIDANCE

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

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

The Corporation is taking a financially prudent and measured approach in building out its sales and marketing initiatives aimed at growing its revenue stream, expanding its market reach, exploring new opportunities and attracting quality personnel. Katipult is evolving from an opportunistic sales organization to a sales driven organization, with a particular focus on its subscription revenue growth. The Corporation is focusing on fewer client acquisitions but acquiring more established, larger clients, as part of a deliberate strategy at Katipult to move up market and to demonstrate our value proposition in the enterprise market.

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 pragmatically increasing sales efforts, building brand recognition, continuing to improve the onboarding and customization activities and exploring ways to speed up the sale-cycle. The Corporation is pursuing initiatives to rationalize and where appropriate upgrade its technical support and back-office infrastructure so that it can cost-effectively scale and support growth.

The Corporation continually monitors the appropriateness of the skill set available through its staff and adjusts its complement of resources on a needs and performance basis.

NON-GAAP MEASURES AND ADDITIONAL GAAP MEASURES

Throughout this document, reference is made to "gross profit", "working capital", "EBITDA", and "Adjusted EBITDA", which are all non-IFRS measures. Management believes that gross profit, defined as revenue less Cost of Revenue expenses, is a useful supplemental measure of operations. Management believes that working capital, defined as current assets less current liabilities, is an indicator of the Corporation's liquidity and its ability to meet its current obligations. Management believes that Adjusted EBITDA, which normalizes 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").

REVERSE TAKEOVER

On May 25, 2017, the Corporation entered into an agreement with JOI pursuant to which the Corporation acquired all of the outstanding common shares of JOI in exchange for the issuance of Corporation shares to JOI shareholders on the basis of 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.

The Corporation did not meet the definition of a business at the time of the reverse takeover (“RTO”), as a result the transaction was outside of the scope of IFRS 3 Business Combinations, and the transaction was accounted for as a reverse acquisition under IFRS 2 Share-based payment.

Under this basis of accounting, the consolidated entity is considered to be a continuation of the Corporation, with the net identifiable assets of the Corporation deemed to have been acquired by JOI. The purchase consideration below was estimated based on the fair value of the Corporation’s common shares that JOI would have paid to the Corporation pursuant to the reverse acquisition. Upon completion of the transaction, the fair value of all identifiable assets and liabilities acquired was determined. The carrying value of JOI’s and the Corporation’s assets and liabilities at the closing were assumed to approximate their fair values as at that date due to their short-term nature. The difference between fair value of the shares issued and the fair value of net assets acquired is recorded as a cost of public listing.

The following represents management’s estimate of the fair value of the net assets acquired and total consideration transferred at August 17, 2017 as a result of the reverse acquisition:

Fair value of acquisition (19,200,000 shares at $0.048 per share)	925
Allocated as follows:	
Identified fair value of net assets:	
Cash	469
Prepaid deposits	50
Accounts payable	(43)
	476
Listing expense	449
	925

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.

Pursuant to the terms of the Agreement, and following satisfaction of certain conditions precedent, including receipt of all necessary director, shareholder, regulatory and TSXV approvals, the Corporation listed on the TSXV on November 15, 2017.

Further details of this transaction are described in Note 3 of the annual consolidated financial statement and the Reverse Takeover section of the MD&A.

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.

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, customers benefit from software updates, new features and technical support. The Corporation also earns integration revenue from activities including the provision of regulatory consulting, marketing, and the customization services of the Platform, for which one-time charges are made which vary depending on the work involved.

RESULTS OF OPERATIONS

For the year ended December 31, ($ Cdn thousands)	2018	2017	2016
Subscription revenue [1]	**702**	491	318
Integration revenue [1]	**523**	645	479
	1,225	1,136	797
Cost of revenue	**322**	328	169
Gross profit [1]	**903**	808	628
Gross profit - percentage [1]	**73.7%**	71.1%	78.8%

Subscription revenue increased 43.0% in 2018 to $702 compared the prior year (2017: $491). The Corporation continues to attract interest from potential clients including small and medium sized private equity, private lending and commercial real estate organizations and recently has attracted the interest of larger, more established organizations. In the fourth quarter of 2018 the Corporation recorded subscription revenue of $251 compared to $98 in the fourth quarter of 2017; being the Corporation's highest reported subscription revenue reported to date.

Integration revenue fluctuates from quarter-to-quarter as it is dependent on the number of new customers brought on in the quarter, and the level of the client's understanding of regulatory requirements, the level of customer facing customization required and issues needing to be addressed to make the client ready to onboard. As the Katipult product functionality matures and becomes more scalable the Corporation will continue to reduce its emphasis on non-recurring integration revenue.

Integration revenue was lower in 2018 as compared to 2017 as the Corporation successfully began transitioning its revenue stream to subscription-based revenue. In addition, the Corporation began focusing on fewer but more established, larger clients, especially in the latter half of 2018. This is part of a deliberate strategy at Katipult to move up market and to demonstrate our value proposition in the enterprise market.

SELLING, GENERAL, AND ADMINISTRATIVE

For the year ended December 31, ($ Cdn thousands)	2018	2017	2016
Selling, general, and administrative less share-based expense and bad debt expense	**1,494**	818	340
Bad debt expense	**107**	169	-
Share-based payments	**258**	41	-
Selling, general, and administrative	**1,859**	1,028	340

For the year ended December 31, 2018, total selling, general and administrative (SG&A) expenses increased by $831, compared to 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 being a public company for the full year.

The Corporation booked revenue in 2017 of $23 which was subsequently deemed uncollectable and written off in 2018, the majority of which was from early clients reflecting their perpetual licenses payment obligations and which

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

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 some of this risk, including more robust contracts, timelier follow-up, credit checks where practical, and establishing a reserve against revenue for estimated uncollectable invoices. In addition, no new perpetual licenses have been offered since 2016.

Included in the SG&A expenses is Share-based expense of approximately $258 in the period. The expense is driven by the issuance and timing of vesting of stock options and restricted share units. This is a non-cash expense.

RESEARCH AND DEVELOPMENT

For the year ended December 31, ($ Cdn thousands)	2018	2017	2016
Research and development	**913**	435	171

Research and development (R&D) expenses for the year ended December 31, 2018 increased by 110% to $913 when compared to 2017. The increase is the result of the Corporation continuing its research and development initiatives to enhance the functionality that its clients derive from the Corporation's products as well as initiatives that speed up the onboarding process and allow for larger, scalable deployments while reducing support and maintenance costs.

As an example of the R&D investment in 2018:

- The Corporation announced the release of its Dynamic Form Builder function which is designed specifically to enable the rapid customization of sophisticated investor onboarding forms. This new application will make user experience more efficient, effective and responsive while lowering costs and solving the operational challenges of adhering to shifting regulatory requirements.
- The Corporation also announced the release of a Secondary Trading Module which is designed to be offered on a white label basis to firms looking to launch a private or open exchange. This application will allow Katipult clients to offer tradable securities, while ensuring regulatory requirements are met, which is valuable capability to firms in private capital markets.

FINANCE COSTS

For the year ended December 31, ($ Cdn thousands)	2018	2017	2016
Bank related charges	**31**	19	17
Interest on convertible debentures	**153**	-	-
Issuance cost of convertible debentures	**65**	-	-
Other interest and charges	**10**	4	4
Finance costs	**259**	23	21

Finance costs have increased in 2018 compared to prior year mainly due to the addition of a convertible debenture and its related closing costs and accrued interest, and to a lesser extent, costs of increased transactions in the period. The interest on convertible debentures is a non-cash item as the interest is accrued to maturity. . For additional information on the convertible debentures please refer to note 6 of the consolidated financial statements.

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

OTHER INCOME AND EXPENSES

For the year ended December 31,			
($ Cdn thousands)	**2018**	2017	2016
Listing expense	**-**	449	-
Interest and other income	**(8)**	(1)	(3)
Government (grant) repayment	**(2)**	6	(64)
Other expenses	**(10)**	454	(67)

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

Listing charges of $449 where incurred as part of the reverse takeover in second quarter of 2017. Other income and expenses in the 2017 and 2018 also included amounts that related to government grants earned and adjustments in those years.

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

For the year ended December 31,			
($ Cdn thousands)	**2018**	2017	2016
Adjusted EBITDA [1]	**(1,611)**	(614)	117
EBITDA [1]	**(1,851)**	(1,109)	183
Total comprehensive loss	**(2,073)**	(1,124)	141
Funds provided (used in) by continuing operations [1]	**(1,604)**	(642)	142
Cash flow provided (used in) by continuing operations	**(1,405)**	(506)	142

The Corporation's total comprehensive loss was $2,073 in 2018 as compared to $1,109 in 2017. The larger loss was the result of higher research and development and sales and general and administrative expenses partially offset by higher revenues and gross margin.

Similarly, Adjusted EBITDA was $(1,584) in 2018 compared to $(614) in 2017.

The Corporation's funds provided by operations decreased in 2018 compared to 2017, mostly the result of the above-noted items.

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

FINANCIAL AND OPERATING HIGHLIGHTS - QUARTERLY ANALYSIS

	2018				2017			
($ Cdn thousands)	**Q4**	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Subscription revenue [1]	**251**	188	137	126	98	142	155	96
Integration revenue [1]	**24**	122	191	186	261	83	185	116
Total revenue	**275**	310	328	312	359	225	340	212
Gross margin [1]	**201**	229	243	230	269	140	262	137
Gross margin - percentage [1]	**73.1%**	73.9%	74.1%	73.7%	74.9%	62.2%	77.1%	64.6%
Selling, general, and administrative	**74**	81	85	82	90	85	78	75
Research and development	**257**	222	250	184	184	104	77	70
Adjusted EBITDA [1]	**(511)**	(412)	(471)	(217)	(316)	(214)	(57)	(27)
EBITDA [1]	**(590)**	(462)	(557)	(242)	(245)	(787)	(53)	(24)
Net loss and comprehensive loss	**(707)**	(520)	(596)	(250)	(244)	(793)	(58)	(29)

FOURTH QUARTER ANALYSIS

Revenue

Subscription revenue increased 156% in the fourth quarter of 2018 to $251 compared the same period prior year (2017: $98). In the fourth quarter of 2018 Subscription revenue represented the Corporation's highest ever recorded quarterly subscription revenue. Integration revenue was lower in 2018 as compared to 2017 as the Corporation successfully began transitioning its revenue stream to subscription based revenue. In addition, the Corporation began focusing on fewer but more established, larger clients, especially in the latter half of 2018. This is part of a deliberate strategy at Katipult to move up market and to demonstrate our value proposition in the enterprise market.

Selling, general, and administration

For the three months ended December 31, 2018, total selling, general and administration (SG&A) expenses increased by $218, compared to prior period in 2017 as a result of the Corporation incurring additional selling and administrative costs as the business develops and higher professional fees relating to the Corporation now being a public company, offset by a decrease in bad debt expense.

Research and development

Research and development (R&D) expenses for the three months ended December 31, 2018 increased by 39.7% to $73 when compared to 2017. The increase is the result of the Corporation continuing its research and development initiatives to enhance the functionality that its clients derive from the Corporation's products as well as initiatives that speed up the onboarding process and allow for larger, more scalable deployments while reducing support and maintenance costs. As the Corporation's product has reached a marketable stage, future R&D costs should be more measured and strategic.

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

COMMITMENTS AND CONTINGENCIES

As of December 31, 2018, in the normal course of business, other than in relation to the convertible debentures outstanding, the Corporation had no material obligations to make future payments, representing contracts and other commitments that are known and committed.

Katipult has operating lease agreements at multiple global office locations. Operating lease expense is included in general and administrative expenses in the consolidated statements of operations and comprehensive income (loss). The Corporation does not have any contingent rental or sublease payments, nor any sublease income. The leases are month to month leases.

LIQUIDITY AND CAPITAL RESOURCES

Working capital

As at **($ Cdn thousands)**	**December 31, 2018**	December 31, 2017	Increase (decrease) in working capital
Current assets			
Cash and cash equivalents	**2,539**	345	2,194
Accounts receivable	**67**	76	(9)
Tax credit recoverable	**-**	5	(5)
Prepaid expenses	**12**	-	12
	2,618	426	2,192
Current liabilities			
Accounts payable and accrued liabilities	**392**	**234**	158
Deferred revenue	**32**	**-**	32
	424	**234**	190
Working capital [(1)]	**2,194**	**192**	2,002

The key driver of the change in working capital is the increase in cash and cash equivalents related to the $3.1 million convertible debentures issued in the second quarter of 2018, offset by the increase of $158 in accounts payable and accrued liabilities.

Liquidity

At December 31, 2018, the Corporation had $2,539 (December 31, 2017: $345) cash on hand. In the second quarter of 2018, the Corporation raised capital through the issuance of convertible debentures.

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 December 31, 2018 is uncertain.

The Corporation considers the items included in capital to include shareholders' equity (deficiency). The Corporation manages its capital structure and makes adjustments to it in light of changes in economic and business conditions,

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

financing environment and the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Corporation may issue new shares, new debt, or scale back the size and nature of its operations. The Corporation is not subject to externally imposed capital requirements.

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

Additional financing may be necessary in a variety of circumstances, including the requirement of working capital to ramp up operations, the occurrence of adverse circumstances, fluctuations in foreign currency translation, or the decision to expand geographically into new markets or by acquisition. In addition, in order to maintain or adjust its capital structure, the Corporation may issue new shares, new debt, or scale back the size and nature of its operations. It is anticipated that the financing may be raised by bank debt, other forms of debt, or the issue of equity. It is possible that such financing will not be available, or if available, will not be available on favorable terms

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
Shares issued on exercise of warrants	**5,200,000**
Conversion of convertible debentures to common shares	**100,293**
Shares issued on exercise of stock options	**332,500**
Balance as at December 31, 2018 and April 24, 2019	**67,909,793**

Common shares

At December 31, 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 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 $48. 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 $310 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 received proceeds of $210 from warrant holders who exercised their warrants and acquired 2,100,000 common shares of the Corporation.

At December 31, 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.

On August 25, November 6, and November 15, 2017, the Corporation granted 2,935,000, 30,000, and 150,000 options respectively to executive officers, directors, consultants and employees. The options granted on August 25 and November 6 are exercisable to purchase one common share of the Corporation at a price of $0.10 per share until dates ranging from August 25, 2017 to November 6, 2022. The 150,000 options granted on November 15, 2017 are exercisable to purchase one common share at a price of $0.20 per share until November 15, 2022.

In the second quarter of 2018, 80,000 stock options were exercised, and 500,000 stock options were granted. In the third quarter of 2018, 215,000 stock options were exercised, and no stock options were granted. In the fourth quarter of 2018, 37,500 stock options were exercised, and no stock options were granted. There were no such transactions in the first quarter of 2018.

As of December 31, 2018, 2,882,500 options were exercisable (December 31, 2017: 307,500).

Restricted Share Unit Plan

The Corporation granted restricted share units (the "RSUs") under the Corporation's Restricted Share Unit Plan (the "Plan") to each of its five independent directors (the "RSU Recipients") on October 26, 2018. In aggregate, 443,547 RSUs were granted. These grants represent compensation to the RSU Recipients for their service on the board of directors of the Corporation and as an incentive mechanism to foster the interest of such persons in the success of

the Corporation. None of the RSU Recipients currently receive any other form of compensation from the Corporation for their service as independent directors, whether in cash or by way of equity or stock options.

Each RSU represents the right to receive one common share of the Corporation upon vesting. All of the RSUs will vest upon the date the Corporation holds its 2019 annual general meeting of shareholders, subject to the terms and conditions set forth in the Plan. The RSU are valued at $0.63 per RSU, being the value of the Corporation's common shares on the issuance date.

CONVERTIBLE DEBENTURES

As at December 31, ($ Cdn thousands)	**2018**	2017
Convertible debentures issued	**3,050**	-
Interest accrued	**155**	-
Shares issued on conversion of convertible debentures	**(52)**	-
	3,153	-

In the second quarter of 2018, the Corporation issued convertible debentures of $3,050 with a five-year maturity date. The debenture may be extended beyond the maturity date by the holder, in which case the debenture will become due 12 months after receiving notice from the holder.

In the fourth quarter of 2018, a convertible debenture holder elected to convert their $50 of convertible debentures plus accrued interest payable into 100,293 common shares.

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

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

The interest rate is the lesser of:

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

Where Shortfall Months is equal to (twelve-(ending cash balance/three month average cash burn)).

As at December 31, 2018, the Corporation had been able to maintain the monthly cash burn rate such that the accrued annual rate of interest payable in the period was 8.5% (compounded quarterly). The $3,000 in convertible debentures can be converted into shares at the election of debenture holders at any time at a conversion price of $0.51.

As at December 31, 2018, the unpaid accrued interest payable of $154 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 convertible debentures are convertible at the option of the Corporation if, on or before the five year maturity date, in any two consecutive calendar quarters the Corporation shall have achieved all of the following criteria:

a. positive EBITDA normalized for abnormal items;
b. revenue equal to at least $0.023 per issued and outstanding Common Share;
c. the volume weighted average trading price per share for Common Shares for the prior three months is equal to at least $0.41 per share; and
d. subscription-based recurring revenue equal to at least $0.017 per issued and outstanding Common Share.

The Corporation can redeem the debentures upon 30 days' notice prior to the maturity by paying the outstanding 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.

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 (including mark-to-market movements of the convertible debenture value), 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:

For the year ended December 31, **($ Cdn thousands)**	**2018**	2017	2016
Net loss	**(2,073)**	(1,124)	141
Plus:			
Depreciation and amortization	**1**	-	-
Finance costs	**259**	23	21
EBITDA	**(1,851)**	(1,109)	183

"**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:

For the year ended December 31,			
($ Cdn thousands)	**2018**	2017	2016
EBITDA	**(1,851)**	(1,109)	183
Plus:			
Foreign exchange	**(8)**	-	1
Share-based payments	**258**	41	-
Other income and expenses	**(10)**	454	(67)
Adjusted EBITDA	**(1,611)**	(614)	117

"**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 **($ Cdn thousands)**	**December 31, 2018**	December 31, 2017	Increase (decrease) in working capital
Current assets			
Cash and cash equivalents	**2,539**	345	2,194
Accounts receivable	**67**	76	(9)
Tax credit recoverable	**-**	5	(5)
Prepaid expenses	**12**	-	12
	2,618	426	2,192
Current liabilities			
Accounts payable and accrued liabilities	**392**	**234**	158
Deferred revenue	**32**	**-**	32
	424	**234**	190
Working capital	**2,194**	**192**	2,002

ADDITIONAL GAAP MEASURES DEFINITIONS

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

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

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

"Subscription revenue" are monthly recurring fees charged to clients for access to operate the hosting platform, software updates, new features and technical support.

"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.

"Integration revenue" are charges to clients for charges 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.

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.

CRITICAL ACCOUNTING JUDGEMENT AND ESTIMATES

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

The key judgements identified in applying accounting policies that have a significant effect on the amounts recognized in the consolidated financial statements include the following:

- The determination of whether it is probable that sufficient taxable earnings will be generated in future periods to utilize tax losses and tax credits for the purpose of recognizing related tax assets. If sufficient taxable earnings are not generated, or estimates change, the Corporation would be required to reverse the related tax assets, or a portion thereof, which would impact income tax expense.
- Performance obligations are accounted for separately if they are distinct. Judgements are required in determining when a performance obligation is satisfied and revenue may be recognized. In making its judgements, management considers whether a performance obligation is distinct from other performance obligations, when a customer obtains control of the services promised in a contract and in allocating consideration to a specific part of the contract.
- As part of assessing whether an instrument is a hybrid financial instrument and contains an embedded derivative, significant judgement is required in evaluating whether the host contract is more akin to debt or equity and whether the embedded derivative is clearly and closely related to the underlying host contract. Management concluded that the host instrument of the convertible debenture was a debt host due in part to the holder's right to repayment unless specific criteria are met and the Corporation elects to force conversion. Management concluded that there are a number of elements of the convertible debenture required to be accounted for as embedded derivatives. In applying its judgement, management relied primarily on the

economic characteristics and risks of the instruments as well as the substance of the contractual arrangement. Management has designated the entire hybrid contract to be measured at fair value through profit or loss.
- The determination of functional currency of the Corporation and its subsidiary.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are as follows:

- ***Measuring deferred income taxes.*** Key estimates and assumptions include the availability of future taxable earnings as explained above, timing of reversals for temporary differences, and future enacted tax rates.
- ***Scientific Research and Experimental Development (SRED) tax credits.*** The determination of the amount of the SRED tax credit receivable requires management to make calculations based on its interpretation of eligible expenditures in accordance with the terms of the programs. The reimbursement claims submitted by the Corporation are subject to review by the relevant government agencies. Although management has used its best judgement and understanding of the related program agreements in determining the receivable amount, it is possible that the amounts could increase or decrease by a material amount in the near-term dependent on the review and audit by the government agency.
- ***Revenue recognition.*** Estimates are also used to determine the stand-alone selling price of performance obligations and the allocation of the transaction price between performance obligations. When contracts involve more than one distinct performance obligation, consideration is allocated amongst the obligations based on their relative estimated stand-alone selling prices. The best evidence of a stand-alone selling price is the observable price of a service when the entity sells that good or service separately in similar circumstances and to similar customers. In certain circumstances, when a stand-alone selling price is not observable management estimates the stand-alone selling price by utilizing an expected cost plus margin approach.
- ***Allowance for uncollectible accounts receivable.*** Management makes use of estimates when making allowances for uncollectible accounts receivable. Management evaluates each receivable at year end using factors such as age of receivable, payment history, and credit risk. The calculation of the allowance is based on the lifetime expected credit loss.
- ***Fair value of convertible debentures.*** Management makes use of estimates and assumptions in the calculation of the initial fair values of convertible debenture hybrid instruments and subsequent re-measurements at fair value at each reporting date using the binomial model. Under the binomial model, the probabilities of future events are estimated.

RELATED PARTY TRANSACTIONS

Related party transactions in the normal course of operations are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

As at December 31, 2018, $34 (December 31, 2017: $39) included in accounts payable and accrued liabilities was payable to a company controlled by an officer of the Corporation. The amounts payable are for subcontractor charges. Amounts payable to related parties are due on demand, bear no interest, and have no fixed repayments terms.

As at December 31, 2018, $5 (December 31, 2017: $nil) included in accounts payable and accrued liabilities was payable to an accounting firm where an officer of the Corporation is a partner. The amount due was not collateralized and was due on normal trade terms. Total professional fees incurred with this related party during the year ended December 31, 2018 were $116 (2017: $nil) and share-based payments were $149 for 2018 (2017: $nil).

BUSINESS RISKS

The business of Katipult is subject to risk and uncertainties. Prior to making any investment decisions regarding Katipult, investors should carefully consider, among other things, the risk described (including risk and uncertainties listed in the Forward-Looking Statements section in this MD&A) and risk factors set forth in the most recent long form prospectus of the Corporation and the following.

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 ongoing operational risks including the performance of key suppliers, product performance, and government and other industry regulations and reliance on information systems, all of which may affect the ability of the Corporation to meet its obligations. While management believes its innovation and technology make it a leader in the industry, revenue and results may be affected if products are not accepted in the market place, are not approved by regulatory authorities, or if products are not brought to market in a timely manner.

Ability to Manage Future Growth

Future growth, if any, may cause a significant strain on the Corporation's management and its operational, financial, human and other resources. The Corporation's ability to manage growth effectively will require it to implement and improve operational, financial, software development and management information systems and to expand, train, manage and motivate employees. These demands may require the addition of management and other personnel and the development of additional expertise. Any increase in resources devoted to research, product development and marketing and sales efforts without a corresponding increase in operational, financial, product development and management information systems could have a material adverse effect on the Corporation's business, financial condition and results of operations. There can be no assurance that the Corporation will be able to manage such growth effectively, that its management, personnel or systems will be adequate to support the Corporation's operations or that the Corporation will be able to achieve the increased levels of revenue commensurate with the increased levels of operating expenses associated with this growth. The Corporation is exposed to a variety of financial risks by virtue of its activities, including currency risk, credit risk, and liquidity risk. The overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on financial performance.

Management of Growth

The Corporation has, in the past, experienced significant growth in its business, including an expansion in the Corporation's staff, customer base and the expansion of its product and service offerings. Such growth placed, and will continue to place, a significant strain on the Corporation's management and operations. The Corporation's ability to manage growth effectively in the future will require it to further develop and improve its operational, financial, and other internal systems, as well as to hire, and manage employees. If the Corporation is unable to manage its growth effectively, the Corporation's business, results of operations, liquidity, and financial condition could be materially and adversely affected.

Fluctuation in Quarterly Results

Revenue and operating results may fluctuate as a result of a variety of factors, including demand for the Corporation's products and services; the proportion of recurring revenue versus non-recurring revenue; the introduction of new products and product enhancements by the Corporation or its competitors; changes in the Corporation's pricing policies or those of its competitors; currency exchange rate fluctuations; or the fixed nature of a significant portion of the Corporation's operating expenses, particularly salaries and leasing costs.

Risks Related to Cloud Based Solutions

The Corporation's strategy on software development is to provide its solutions to the client through a web interface rather than license the software for deployment to servers used by the client. Although implementation is less expensive and quicker with such a design, accessibility to the software by the client is dependent upon access to the internet, the speed and availability of which is outside the control of the Corporation. Prolonged interruptions to software access could have a material adverse effect on the Corporation's business, results of operations, liquidity, and financial condition.

Rapid Technological Change

The markets for the Corporation's products are characterized by rapid technological advances, evolving industry standards, changes in end-user requirements and frequent new product introductions and enhancements. The Corporation's future success will depend upon its ability to enhance its current products, and to develop and introduce new products that keep pace with technological developments, respond to evolving end-user requirements and achieve market acceptance.

The development of such new products or enhanced versions of existing products entails significant technological risks. There can be no assurance that the Corporation will be successful in marketing its existing products or be successful in developing or marketing new products or product enhancements, any of which could have a material adverse effect on the Corporation's business, results of operations, financial condition, and liquidity.

SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out in this note 18 of the annual consolidated financial statement have been applied consistently to all periods presented in these consolidated financial statements. The accounting policies have been applied consistently by the Corporation.

Basis of consolidation

The consolidated financial statements include the accounts of Corporation and its subsidiary, which is wholly-owned. Any reference to Corporation or the Corporation throughout these consolidated financial statements refers to the Corporation and its subsidiary. All intercompany transactions between Corporation and its subsidiary have been eliminated.

Subsidiaries

Subsidiaries are entities controlled by the Corporation. The Corporation controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial results of subsidiaries are included in the consolidated financial statements from the date that control commenced until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Corporation.

Transactions eliminated on consolidation

Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency of the applicable entity at the exchange rate in effect at the time of the transaction. Monetary items are then re-translated into the entity's functional currency at each reporting period at the exchange rates in effect at the statements of financial position date. Non-monetary items are not re-translated. Revenues and expenses denominated in foreign currency are translated at rates in effect at the time of the transactions. Gains and losses on foreign currency transactions are included as a separate line item in the consolidated statements of operations and comprehensive loss.

Cash and cash equivalents

Cash and cash equivalents are comprised of cash at bank and cash in hand, including offsetting bank overdrafts, short-term investments, and similar instruments that have a maturity of three months or less at the date of acquisition. In reporting periods where bank overdrafts exceed cash and cash equivalents, the balance will be referred to as bank indebtedness. There were no cash equivalents as at December 31, 2018 and 2017.

Property and equipment

Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized net within other operating expenses.

Subsequent costs

The cost of replacing a part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Corporation and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment (repairs and maintenance) are charged to earnings as incurred.

Depreciation

Depreciation is calculated based on the depreciable amount, which is the cost of an asset less its residual value. Depreciation is charged to earnings, from the date assets are installed and ready for use, either on a straight-line or declining balance basis, over the estimated useful lives of each part of an item of property and equipment.

The methods and rates of depreciation are as follows:

Computer hardware	straight-line over five years

Research and development

Expenditures on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are charged to earnings as incurred. Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are expensed unless specific criteria are met, including the technical feasibility intention to complete, ability to use or sell, probable future economic benefit, availability of necessary resources and ability to measure. The Corporation has not capitalized any development costs up to December 31, 2018.

Impairment

Receivables

The Corporation uses the simplified approach in determining expected credit losses. Under this model, the Corporation measure the loss allowance at an amount equal to the lifetime expected credit losses.

Non-financial assets

The carrying amounts of the Corporation's non-financial assets, other than current assets and tax related assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the recoverable amount of the asset or cash-generating unit is estimated.

The recoverable amount of an asset or cash generating unit ("CGU") is the greater of its value-in-use and its fair value less costs to sell. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. Goodwill acquired in a business combination is allocated to the group of CGUs that is expected to benefit from the synergies of the combination. This allocation is subject to an operating segment ceiling test and reflects the lowest level that goodwill is monitored for internal reporting purposes.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in earnings.

Common shares

Common shares are classified as equity. Costs directly attributable to the issue of common shares are recognized as a reduction of equity, net of any tax effects. Warrants are classified as equity and valued at the time of issuance based on the Black-Scholes option pricing model.

Earnings per share

The Corporation presents basic and diluted earnings per share (EPS) data for its common shares. Basic EPS is calculated by dividing the earnings attributable to common shareholders by the weighted average number of common shares outstanding during the period. Diluted EPS is determined by adjusting the earnings attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares.

Revenue Recognition

Revenue is 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

Revenue may be earned over time as the performance obligations are satisfied or at a point in time which is when the entity has earned a right to payment, the customer has possession of the asset and the related significant risks and rewards of ownership, and the customer has accepted the asset or service.

Software as a Service (SaaS)

Software is provided to customers via a SaaS subscription model which allows customers to use hosted software over a term without taking possession of the software. The parties in the contract are identified in a signed agreement which states each party's rights, performance obligations and payment terms. Revenue is recognized monthly over the life of the contract as the performance obligations are satisfied through the provision of access to the software and from the software functionality being applied to private investments which the customer has uploaded into the software.

Integration revenue consists of three separate performance obligations relating to regulatory consulting, marketing consulting and customization services. Revenue for all three performance obligations is recognized over time as the service is provided to the customer.

The Corporation generally receives payment from its clients monthly in advance for the subscription revenue and after invoicing with normal 30-day commercial terms for integration. In instances where timing of revenue recognition differs from the timing of invoicing and subsequent payment, we have determined our contracts generally do not include a significant financing component. Clients may pay the subscription price for the term of the contract in advance of using the services in which case the amount paid is recorded as deferred revenue and recognized as revenue when earned.

Share-based payment transactions

The measurement date fair value of equity-settled share-based payment awards granted to employees and others providing similar services is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees become entitled to the awards (vesting period). The amount recognized as an expense is adjusted to reflect the number of awards for which the related service vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service conditions at the vesting date. Share-based payments include stock options and restricted share units.

Income taxes

Income tax expense is comprised of current and future tax. Income tax expense is recognized in the consolidated statements of operations and comprehensive loss except to the extent that it relates to items recognized in other comprehensive income or equity on the statements of financial position.

Current tax

Current tax is calculated using tax rates which are enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to taxation authorities.

Deferred tax

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates which are enacted or substantively enacted at the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax liabilities are generally recognized for all taxable temporary differences, except for temporary differences that arise from goodwill, which is not deductible for tax purposes. Deferred tax liabilities are also recognized for taxable temporary differences arising on investments in subsidiaries except where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future.

Deferred tax assets are recognized to the extent it is probable that taxable profits will be available against which the deductible balances can be utilized. All deferred tax assets are analyzed at each reporting period and reduced to the extent that it is no longer probable that the asset will be recovered. Deferred tax assets and liabilities are not recognized with respect to temporary differences that arise on initial recognition of assets and liabilities acquired other than in a business combination.

Uncertain tax positions

The Corporation is subject to taxation in numerous jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Corporation maintains provisions for uncertain tax positions that it believes appropriately reflect its risks with respect to tax matters under active discussion, audit, dispute, or appeal with tax authorities or which are otherwise considered to involve uncertainty. These provisions are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Corporation reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Financial instruments

The Corporation’s financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and convertible debentures.

Financial instruments – recognition and measurement

All financial instruments are measured at fair value upon initial recognition of the transaction. Measurement in subsequent periods is dependent on whether the instrument is classified as “measured at fair value through profit or loss”, “measured at fair value through other comprehensive income”, or “measured at amortized cost”.

Financial assets or financial liabilities are measured at fair value through profit or loss if acquired for the purpose of selling or repurchasing in the short term. Changes in fair value are recognized in financing costs in the consolidated statements of operations and comprehensive loss. Convertible debentures are measured at fair value through profit and loss

The Corporation's financial instruments measured at amortized cost consist of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities. They are recognized at amortized cost, using the effective interest rate method, at each reporting period, net of transaction costs directly attributable to the issuance of long-term debt. Transaction costs related to the issuance of any long-term debt are netted against the carrying value of the associated long-term debt and amortized as part of financing costs over the life of that debt using the effective interest rate method.

Embedded derivatives

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host – with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

Derivatives embedded in hybrid contracts with a financial asset host within the scope of IFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured as either amortized cost or fair value as appropriate.

Derivatives embedded in hybrid contracts with financial liability hosts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value through profit or loss. Changes in the fair value of separable embedded derivatives are recognized in profit or loss. An embedded derivative in a financial liability at fair value through profit or loss is not separated. An embedded derivative is presented as a non-current asset or non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and is not expected to be realized or settled within 12 months. Multiple embedded derivatives in a single hybrid contract are treated as a single compound embedded derivative when the derivatives relate to similar risk exposures and are not readily separable and independent of each other.

Katipult's convertible debentures are hybrid contracts with multiple embedded derivatives. The Corporation has designated the entire hybrid contract as at fair value with adjustments recorded to finance costs through the profit or loss.

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 and therefore have been applied to these consolidated financial statements.

These new standards 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 three 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.

The standard has been adopted beginning on January 1, 2018 with no change to comparative information presented under IAS 39. The Corporation has adopted this standard in the preparation of these statements. Management determined the impact of this adoption as being not material. Financial assets previously classified as "loans and receivables" (cash and cash equivalents and accounts receivable), as well as financial liabilities previously classified as "financial liabilities measured at amortized cost" (accounts payable and accrued liabilities) have been reclassified to amortized cost. The carrying value and measurement of all financial instruments remains unchanged. The Corporation's current process for assessing accounts receivable lifetime expected credit losses individually is unadjusted with the adoption of the new impairment model and resulted in no additional impairment allowance.

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 the IFRS 15 standard using the modified retrospective approach in the preparation of these statements. Management determined the impact of this adoption as being not material.

NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

New standards and amendments to existing standards have been issued by the IASB that are effective after December 31, 2018. These new standards and amendments have not been 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 is currently assessing the impact of the adoption of this standard.

CORPORATE INFORMATION

Head Office

600, 777 Hornby Street
Vancouver, BC
V6Z 1S4

Telephone: 403.457.8008

www.Katipult.com

Directors

Marcus Shapiro
Chair of the Board

Jeff Dawson
Audit Committee Chair

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 MSc.
Chief Technology Officer

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