Q1 2022

Management Discussion & Analysis

Katipult Technology Corp. March 31, 2022

The discussion and analysis of the financial condition and results of operations of the Corporation is prepared as at May 27, 2022 and should be read in conjunction with the unaudited condensed interim financial statements of Katipult Technology Corp., and the notes thereto, for the three-month period ended March 31, 2022, and with the audited financial statements of Katipult Technology Corp., and the notes thereto, for the year ended December 31, 2021.

All financial information is presented in thousands of Canadian dollars, except share and per share data, and where otherwise indicated.

MANAGEMENT DISCUSSION AND ANALYSIS

The following management discussion and analysis ("MD&A") of the unaudited financial condition and consolidated results of operations is intended to help the reader understand the current and prospective consolidated financial position and consolidated operating results of Katipult Technology Corp. (the "Corporation" or "Katipult"). The MD&A discusses the operating and financial results for the three-month periods ended March 31, 2022, is dated May 27, 2022, and takes into consideration information available up to that date.

The MD&A is based on the unaudited condensed interim financial statements of Katipult for the three-month period ended March 31, 2022. The MD&A should be read in conjunction with the unaudited condensed interim financial statements and related notes for the three-month period ended March 31, 2022, and the annual financial statements and related notes for the year ended December 31, 2021, prepared in accordance with International Financial Reporting Standards ("IFRS"). The Corporation's audited financial statements and unaudited interim financial statements have been prepared on the "going concern" basis, which presumes that the Corporation will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

Unless otherwise identified, the MD&A is presented in Canadian dollars, which is the Corporation's functional currency. All financial information presented in dollars has been rounded to the nearest thousand except for share and per share amounts.

Additional information is available on Katipult's website (www.katipult.com) and all previous public filings are available through SEDAR (www.sedar.com).

FORWARD-LOOKING STATEMENTS

The MD&A contains certain forward-looking statements relating to the Corporation's plans, strategies, objectives, expectations, and intentions. The use of any of the words "expect", "anticipate", "continue", "estimate", "objective", "ongoing", "may", "will", "project", "should", "believe", "plans", "intends", "confident", "might" and similar expressions are intended to identify forward-looking information or statements. Various assumptions were used in drawing the conclusions or making the projections contained in the forward-looking statements throughout this MD&A. The forward-looking information and statements included in this MD&A are not guarantees of future performance and should not be unduly relied upon. Forward-looking statements are based on current expectations, estimates, and projections that involve a number of risks and uncertainties, which could cause actual results to differ materially from those anticipated and described in the forward-looking statements. Such information and statements involve known and unknown risks, uncertainties, and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information or statements.

In particular, but without limiting the foregoing, this MD&A may contain forward-looking information and statements pertaining to the fluctuations in the demand for the Corporation's services; the ability for the Corporation to attract and retain qualified personnel; the existence of competitors; technological changes and developments; the existence of operating risks inherent in the financial technology ("fintech") industry; assumptions regarding foreign currency exchange rates and interest rates; the existence of regulatory and legislative uncertainties; the possibility of changes in tax laws and general economic conditions including the capital and credit markets and the impact of COVID-19; assumptions made about future sustainability, performance and operations. The Corporation cautions that the foregoing list of assumptions, risks, and uncertainties is not exhaustive. The forward-looking information and statements contained in this MD&A speak only as of the date of this MD&A, and the Corporation assumes no obligation to publicly update or revise them to reflect new events or circumstances, except as may be required pursuant to applicable securities laws.

NON-GAAP MEASURES AND ADDITIONAL GAAP MEASURES

Throughout this document, reference is made to "working capital", and "Adjusted EBITDA", which are all non-IFRS measures. Management believes that *working capital* is a useful indicator of the Corporation's liquidity and its ability to meet its current obligations. While EBITDA, which is earnings before finance costs including unrealized gains and losses on financial instruments, tax, and depreciation and amortization, is a useful measure, management believes that *Adjusted EBITDA* is a more appropriate measure for comparing results from one period to another as Adjusted EBITDA normalizes earnings to exclude certain non-operating, non-cash, and extraordinary amounts. All these terms are defined below. Readers are cautioned that these non-IFRS measures may not be comparable to similar measures used by other companies. Readers are also cautioned not to view these non-IFRS financial measures as an alternative to financial measures calculated in accordance with IFRS.

NON-GAAP MEASURES DEFINITIONS

"**Adjusted EBITDA**" is a measure of the Corporation's operating profitability. Adjusted EBITDA provides an indication of the results generated by the Corporation's principal business activities prior to how these activities are financed (including mark-to-market movements of the convertible debenture value), assets are depreciated and amortized or how the results are taxed in various jurisdictions, prior to the effect of foreign exchange, other income and expenses, and non-cash share-based payment expense. Adjusted EBITDA is not intended to represent net earnings as calculated in accordance with IFRS.

Adjusted EBITDA is calculated as follows:

For the three months ended March 31, **($ thousands)**	**2022**	2021
Net loss	**(710)**	(838)
Plus:		
Depreciation and amortization	**7**	8
Finance costs	**159**	118
Unrealized loss on convertible debentures	**149**	428
Foreign exchange (gain) loss	**8**	22
Share-based payments	**20**	(44)
Other income	**(104)**	(23)
Adjusted EBITDA	**(471)**	(329)

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

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

As at **($ Cdn thousands) - unaudited**	**March 31, 2022**	December 31, 2021	Increase (decrease) in working capital
Current assets			
Cash and cash equivalents	**2,124**	2,503	(379)
Accounts receivable	**164**	33	131
Prepaid expenses	**14**	13	1
Total current assets	**2,302**	2,549	(247)
Current liabilities			
Accounts payable and accrued liabilities	**272**	373	(101)
Deferred revenue	**601**	359	242
Lease obligation	**12**	21	(9)
Total current liabilities	**885**	753	132
Working capital	**1,417**	1,796	(379)

ADDITIONAL GAAP MEASURES DEFINITIONS

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

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

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

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

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

"Integration revenue" are charges to clients for services that are viewed by the Corporation to be one-time in nature and to new clients for the provision of regulatory consulting services, and marketing and customization services. The charges vary depending on the amount and complexity of the work involved and the nature of the client's needs.

FINANCIAL AND OPERATION HIGHLIGHTS

For the three months ended March 31, ($ thousands)	2022	2021
Subscription revenue [1]	**436**	378
Investment services revenue [1]	**-**	5
Integration revenue [1]	**19**	-
Total revenue	**455**	383
Gross profit [1]	**354**	305
Gross profit percentage [1]	**77.8%**	79.6%
Adjusted EBITDA [1]	**(471)**	(329)
Total comprehensive income (loss)	**(710)**	(838)

Revenue

Over the last several quarters, the Corporation has been focusing on the enterprise market and has made significant progress in capturing well-established, well reputed companies that can be used as references to spur and support additional sales. When compared to the same period of 2021, Subscription revenue has increased 15.3% for the three-months period ended March 31, 2021.

The Corporation reported its first investment services revenue in 2021. This is a new revenue stream for the Corporation and is the result of fees charged to clients on qualifying services and/or transactions processed through Katipult's Platform. Once fully rolled out, this revenue is expected to be recurring in nature; however, it will vary in size and timing as it is based on the volume and characteristics of the transactions processed.

Integration revenue is non-recurring and fluctuates from quarter-to-quarter as it is dependent on the number of new customers brought on in the quarter, and the level of the client's understanding of regulatory requirements, the level of customer-facing customization required and issues needing to be addressed to make the client ready to onboard. The Corporation reported integration revenue of $19 in the first quarter of 2022 (2021 - $nil).

Continued investment impacts Adjusted EBITDA and Net Income

The gross profit percentage was 77.8% for the three-month period ended March 31, 2022 (2020: 79.6%). The Corporation has maintained a gross profit percentage of over 70.0% since the fourth quarter of 2017.

Adjusted EBITDA and Net Income

Adjusted EBITDA losses increased to $471 in the first quarter of 2022 (2021: $329). The increase is mostly due to the higher salaries, subcontractors, and benefits expenditures as the Corporation continues to grow its base of key employees. The increased expenses were partially offset by increased revenue.

The Corporation's net loss and comprehensive loss decreased to $710 for the three-month period ended March 31, 2022 compared to $838 recorded in the comparative period of 2021. The decreased loss is due in large part to the non-cash revaluation of the 2018 Debentures, partially offset by higher non-cash finance costs from the accretion of the 2021 Debenture.

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

FIRST QUARTER 2022 HIGHLIGHTS

Katipult Appoints Private Capital Markets Leader

On January 19, 2022, Katipult announced that Stephen Smith has joined Katipult as VP, Sales. Mr. Smith is an expert at driving growth in the private capital markets space, having spent the last six years leading sales teams and forging partnerships in the private markets ecosystem. Most recently, Mr. Smith served as Director, Business Development at DealSquare, a centralized digital platform that gives capital raisers access to the Canadian investment dealer ecosystem. At DealSquare, Mr. Smith led sales, business, and platform strategy while also building industry-leading partnerships with investment dealers, associations, and exchanges. Prior to DealSquare, Mr. Smith was head of the sales team at FrontFundr, which connects Canadian retail investors to private companies, as Director, Deal Acquisition.

Katipult Unveils DealFlow - the New Operating System for Private Placement

On May 5, 2022, Katipult announced the official release of its industry-leading private placements platform, DealFlow. DealFlow is used by leading financial services firms including Canaccord Genuity, Raymond James, Echelon Wealth Partners, Cormark Securities, and TSX Trust.

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.

Katipult made significant progress in enhancing and maturing its product capabilities in first quarter of 2022. The DealFlow product release and announcement highlights the completeness of its offering along with the value and impact it provides financial services firms that participate in the private capital markets. Going forward, the Corporation will focus on continuing to add customers, grow its monthly recurring revenue ("MRR") and add new product capabilities to make private capital markets more efficient, transparent and fully digitized.

CORPORATE PROFILE

Organization

Katipult Technology Corp. (the "Corporation" or "Katipult") is a provider of a cloud-based software for powering the exchange of capital in equity and debt markets. The Corporation was originally incorporated under the *Business Corporations Act* (British Columbia). On October 2, 2019, the Corporation filed articles of continuance under the *Business Corporations Act* (Alberta). The registered address of the Corporation is 340, 318 11 Ave SE, Calgary, AB, T2G 0Y2. Katipult is a publicly traded company listed on the TSX Venture Exchange ("TSXV") under the symbol "FUND".

Operations

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

The Platform includes modules for various user types, including but not limited to investors, issuers, administrators, and auditors. The administrators are selected by clients from their staff and are provided a content management system which allows them the ability to manipulate content on the Platform.

The Corporation provides its proprietary software through a Software as a Service ("SaaS") business model. In exchange for a monthly subscription, customers benefit from software updates, new features and technical support. The Corporation also earns integration revenue and investment services revenue. Integration revenue is generated through activities including the provision of regulatory consulting, marketing, and the customization services of the Platform, for which one-time charges are made and vary depending on the work involved. Investment services revenue is derived through fees charged to clients on qualifying services and/or transactions processed through Katipult's Platform.

RESULTS OF OPERATIONS

For the three months ended March 31, ($ thousands)	2022	2021
Subscription revenue [1]	**436**	378
Investment services revenue [1]	**-**	5
Integration revenue [1]	**19**	-
	455	383
Cost of revenue	**101**	78
Gross profit [1]	**354**	305
Gross profit percentage [1]	**77.8%**	79.6%

Over the last several quarters, the Corporation has been focusing on the enterprise market and has made significant progress in capturing well-established, well reputed companies that can be used as references to spur and support additional sales. When compared to the same period of 2021, Subscription revenue has increased 15.3% for the three-months period ended March 31, 2022.

The Corporation reported its first investment services revenue in 2021. This revenue stream is the result of fees charged to clients on qualifying services and/or transactions processed through Katipult's Platform. Once fully rolled out, this revenue is expected to be recurring in nature; however, it will vary in size and timing as it is based on the volume and characteristics of the transactions processed.

Integration revenue is non-recurring and fluctuates from quarter-to-quarter as it is dependent on the number of new customers brought on in the quarter, and the level of the client's understanding of regulatory requirements, the level of customer-facing customization required and issues needing to be addressed to make the client ready to onboard. The Corporation reported integration revenue of $19 in the first quarter of 2022 (2021 - $nil).

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

The gross profit percentage was 77.8% for the three-month period ended March 31, 2022 (2020: 79.6%).

SELLING, GENERAL, AND ADMINISTRATIVE

For the three months ended March 31, **($ thousands)**	**2022**	2021
Selling, general, and administrative less share-based payments and bad debt expense	**493**	451
Bad debt (recovery) expense	**(3)**	(7)
Share-based payment	**20**	(44)
Selling, general, and administrative	**510**	400

For the three-month period ended March 31, 2022, selling, general and administrative (SG&A) expenses before share-based payments and bad debt expenses increased when compared to the same periods in 2021. The increase is the result of additional key hires and higher sales and marketing costs.

During the quarter, the Corporation recovered $3 of previously booked bad debt expense (2021: $7).

Included in SG&A expenses is share-based payment of $20 (2020: recovery $44). The expense is driven by the issuance and vesting timing of restricted share units and stock options.

RESEARCH AND DEVELOPMENT

For the three months ended March 31, **($ thousands)**	**2022**	2021
Research and development	**335**	190

Research and development (R&D) expenses are higher during the current quarter and year-to-date as the Company continues to enhance its product offering and build out its product road-map.

FOREIGN EXCHANGE

For the three months ended March 31, **($ thousands)**	**2022**	2021
Foreign exchange (gain) loss	**8**	22

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

FINANCE COSTS

For the three months ended March 31, ($ thousands)	2022	2021
Bank related charges	**4**	5
Interest on the 2018 Debentures	**90**	96
Accretion on the 2021 Debenture	**61**	12
Interest on lease obligation	**1**	3
Other interest and charges	**3**	2
Finance costs	**159**	118
Unrealized loss on convertible debentures	**149**	428

Finance costs increased for the three-month period ended March 31, 2022, compared to the same period in the prior year mainly due to increased interest on the 2018 Debentures and the accretion on 2021 Convertible Debentures. The 2018 Debentures are hybrid contracts with multiple embedded derivatives. The Corporation has measured the entire hybrid contract at fair value with adjustments recorded in profit or loss.

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

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

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

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

OTHER INCOME

For the three months ended March 31, ($ thousands)	2022	2021
Interest and other income	**(4)**	(1)
Government grant	**(100)**	(22)
Total other (income) and expenses	**(104)**	(23)

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

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

For the three months ended March 31, ($ thousands)	2022	2021
Adjusted EBITDA [(1)]	**(471)**	(329)
Total comprehensive income (loss)	**(710)**	(838)
Funds used in operations before change in non-cash working capital	**(371)**	(311)
Total funds used in operating activities	**(376)**	(188)

Adjusted EBITDA losses increased to $471 in the first quarter of 2022 (2021: $329). The increase is mostly due to the higher salaries, subcontractors, and benefits expenditures as the Corporation continues to grow its base of key employees. The increased expenses were partially offset by increased revenue.

The Corporation's net loss and comprehensive loss decreased to $710 for the three-month period ended March 31, 2022 compared to $838 recorded in the comparative period of 2021. The decreased loss is due in large part to the non-cash revaluation of the 2018 Debentures, partially offset by higher non-cash finance costs from the accretion of the 2021 Debenture.

Funds used in operations increased slightly for the three-month period ended March 31, 2022 compared to the prior comparative periods in 2021. The increase is largely due to the increase in salary, subcontractor, and benefits, offset by the increase in revenue. The cash flow used in operation takes the changes in working capital into account.

FINANCIAL AND OPERATING HIGHLIGHTS - QUARTERLY ANALYSIS

	2022	2021				2020		
($ Cdn thousands)	**Q1**	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Subscription revenue [(1)]	**436**	467	427	409	378	329	301	329
Investment services revenue [(1)]	**-**	13	-	4	5	-	-	-
Integration revenue [(1)]	**19**	-	-	10	-	-	-	-
Total revenue	**455**	480	427	423	383	329	301	329
Gross profit [(1)]	**354**	377	340	335	305	253	232	253
Gross profit - percentage [(1)]	**77.8%**	78.5%	79.6%	79.2%	79.6%	76.9%	77.1%	76.9%
Selling, general, and administrative	**510**	578	517	609	400	223	494	495
Research and development	**335**	274	303	205	190	195	190	219
Adjusted EBITDA [(1)]	**(471)**	(435)	(415)	(376)	(329)	(289)	(387)	(325)
Net income (loss) and comprehensive income (loss)	**(710)**	(461)	(648)	(323)	(838)	239	(768)	(620)

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

LIQUIDITY AND CAPITAL RESOURCES

Working capital

As at ($ Cdn thousands) - unaudited	March 31, 2022	December 31, 2021	Increase (decrease) in working capital
Current assets			
Cash and cash equivalents	**2,124**	2,503	(379)
Accounts receivable	**164**	33	131
Prepaid expenses	**14**	13	1
Total current assets	**2,302**	2,549	(247)
Current liabilities			
Accounts payable and accrued liabilities	**272**	373	(101)
Deferred revenue	**601**	359	242
Lease obligation	**12**	21	(9)
Total current liabilities	**885**	753	132
Working capital (1)	**1,417**	1,796	(379)

Liquidity

As at March 31, 2022, the Corporation's cash and cash equivalents were $2,124 (December 31, 2021: $2,503). The Corporation had a positive net working capital position of $1,417 (December 31, 2021: $1,796). The Corporation had a net loss for the period ended March 31, 2022 of $710 (2021: $838), used cash in operations of $352 (2021: $188), and had a deficit of $8,030 as at March 31, 2022 (December 31, 2021: $7,320).

The Corporation carries debt in the form of the 2018 Debentures and the 2021 Debenture that will mature in 2023 and 2026, respectively, which could be required to be settled in cash (see Convertible Debentures section below). The Corporation has not yet been able to generate the sales volumes required to create positive cash flows from operations. The continuation of the Corporation as a going concern is dependent upon the ability of the Corporation to continue to obtain external financing in order to fund operations. While the Corporation has previously been successful in raising external capital to fund its operations, there is no assurance that it will continue to do so in the future.

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

Management regularly reviews its level of capital resources and actively manages its affairs. This review will consider factors such as the current economic environment, changes in demand for the Corporation's services, capital spending requirements, foreign exchange rates, working capital needs, and profitability of the Corporation's operations, any of which could materially affect the Corporation's ability to meet its obligations.

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

SHAREHOLDERS' EQUITY

Issued and Outstanding

Number of common shares	Issued
Balance, December 31, 2020	69,279,316
Shares issued on exercise of stock options	1,750,000
Shares issued on conversion of restricted share units	493,750
Balance as at December 31, 2021, March 31, 2022, and May 27, 2022	71,523,066

Common shares

At March 31, 2022, the Corporation was authorized to issue an unlimited number of common shares without par value. The holders of common shares are entitled to one vote per share and all shares rank equally with regard to the Corporation's residual assets.

Contributed surplus

The contributed surplus included in the Shareholders' Deficiency section of the Statement of Financial Position comprises of private placement proceeds allocated to unexercised share purchase warrants, unexercised stock options, restricted share units, and all share-based payment transactions that do not involve the issuance of shares.

Warrants

As part of the 2021 Debenture financing, the Corporation issued to the holder warrants to acquire 12,000,000 common shares, exercisable at any time on or prior to March 5, 2026. Each warrant is exercisable into one common share at an exercise price of $0.25 per common share.

Options

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

The following summarizes the changes in outstanding options:

	2022		2021	
	Number	Weighted average exercise price (CND$)	Number	Weighted average exercise price (CND$)
Outstanding - beginning of period	3,531,250	0.21	4,875,000	0.17
Granted	-	-	1,325,000	0.25
Forfeited	(766,250)	0.23	(918,750)	0.24
Exercised	-	-	(1,750,000)	0.10
Outstanding - end of the period	2,765,000	0.20	3,531,250	0.21
Exercisable - end of the period	1,060,000	0.14	1,256,250	0.15

Restricted Share Unit Plan

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

The following summarizes the changes in outstanding RSUs:

As at **(Number of restricted share units)**	**March 31, 2022**	December 31, 2021
Balance at the beginning of period	**370,000**	493,750
Granted	**-**	370,000
Vested and converted into shares	**-**	(493,750)
Balance at the end of period	**370,000**	370,000

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

LOAN PAYABLE

Canadian Emergency Business Account ("CEBA") Loan

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

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

On January 13, 2022, the Canadian federal government announced the repayment deadline has been extended from December 31, 2022 to December 31, 2023 for all eligible borrowers in good standing.

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

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

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

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

CONVERTIBLE DEBENTURES

(a) 2018 Convertible debentures

During the year ended December 31, 2018, the Corporation issued the 2018 Debentures with a principal balance of $3,050 maturing on May 30, 2023. The debentures may be extended beyond the maturity date by the holder, in which case the debentures will become due 12 months after receiving notice from the holder. During the year ended December 31, 2018, a convertible debenture holder elected to convert their $50 of convertible debentures plus accrued interest payable into 100,293 common shares.

As at **($ Cdn thousands)**	**March 31,** **2022**	December 31, 2021
Balance at the beginning of year	**3,030**	2,662
Interest accrued during the year	**90**	347
Unrealized loss on convertible debentures	**149**	21
Balance at the end of the year	**3,269**	3,030
Face value of the convertible debentures at end of the period	**3,000**	3,000

The 2018 Debentures are hybrid contracts with multiple embedded derivatives. The Corporation has measured the entire hybrid contract at fair value with adjustments recorded to finance costs in the statements of operations and comprehensive loss. The face value of $3,000, plus all accrued interest, will be repayable on maturity, if not converted prior to this date.

The face value of the 2018 Debentures reconciles to the balance as at March 31, 2022 and December 31, 2021 as follows:

As at **($ Cdn thousands)**	**March 31,** **2022**	December 31, 2021
Face value	**3,000**	3,000
Interest accrued	**1,187**	1,097
Face value plus accrued interest	**4,187**	4,097
Fair value adjustment	**(918)**	(1,067)
Balance at the end of the period	**3,269**	3,030

The 2018 Debentures have a variable interest charge based on the Corporation's cash burn rate.

The interest rate is the lesser of:

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

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

During the three-month period ended March 31, 2022, the Corporation's monthly cash burn rate was such that the accrued annual rate of interest payable was between 8.50% and 9.69% (compounded quarterly). The $3,000 outstanding in 2018 Debentures can be converted into common shares at the election of debenture holders at any time at a conversion price of $0.51 per share.

As at March 31, 2022, the unpaid accrued interest payable was $1,187 (December 31, 2021: $1,097). The unpaid accrued interest payable can be converted to shares, at the election of the debenture holders, at any time, at the volume-weighted average trading price per share for common shares over ten consecutive trading days ending on the trading day before the conversion date.

The 2018 Debentures are convertible at the option of the Corporation if, on or before the five-year maturity date, in any two consecutive calendar quarters the Corporation shall have achieved all of the following criteria:

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

The Corporation can redeem the 2018 Debentures upon 30 days' notice prior to the maturity by paying the outstanding face value of the principal in cash and the outstanding interest in common shares at the current market price, as well as a prepayment penalty equal to 50% of the lost interest from the prepayment date to the maturity date.

The fair value of the 2018 Debentures is determined using a probability-weighted multi-scenario model based on the host liability and embedded derivatives of the instrument. The most significant factors in the computation of the fair value of this financial instrument as at March 31, 2022 are the fair values of the host liability and the conversion feature. The fair value of the host liability is determined using a discount rate of 39.4% (2020: 39.4%), interest payments of 8.5% to 12.0%, and a remaining expected term of 1.2 years (December 31, 2021: 1.4 years). The fair value of the conversion feature is determined using a Black-Scholes model with a volatility of 90% (2021: 90%), a risk-free rate of interest of 2.27% (December 31, 2021: 0.95%), a stock price of $0.13 (2021: $0.13) per share, and a remaining expected life of 1.2 years (2021: 1.4 years), as at March 31, 2022.

Sensitivity analysis:

A $0.01 increase in the share price within the Black-Scholes model would result in an increase in the fair value of the outstanding principal of the 2018 Debentures of $11. A 1% increase in the discount rate would result in a decrease in the fair value of the outstanding principal 2018 Debentures of $27. Comparable decreases in each of the share price and discount rate would result in a comparable opposite change in the fair value of the outstanding principal of the 2018 Debentures.

(b) 2021 Convertible debenture

As at **($ Cdn thousands)**	**March 31, 2022**	December 31, 2021
Face value	**3,000**	**3,000**
Financing costs	**62**	**62**
Proceeds from convertible debenture, net of financing costs	**2,938**	**2,938**
Allocation - convertible debenture - equity portion	**(1,292)**	**(1,292)**
Allocation - convertible debenture - warrant portion	**(1,188)**	**(1,188)**
Accretion on convertible debenture	**229**	**168**
Debenture liability balance at the end of the period	**687**	**626**

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

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

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

COMMITMENTS AND CONTINGENCIES

Commitments

As at March 31, 2022, in the normal course of business, other than in relation to the convertible debentures, the Corporation has no material obligations to make future payments, representing contracts and other commitments that are known and committed.

OFF-BALANCE SHEET ARRANGEMENTS

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

RISK FACTORS

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

Management defines risk as the evaluation of probability that an event might happen in the future that could negatively affect the financial condition and/or results of operations of the Corporation. The risks that could affect the Corporation are described below; however, they do not constitute an exhaustive list of all possible risks which may impact the Corporation as there may be additional risks of which management is currently unaware As it is difficult to predict whether any risk will happen or its related consequences, the actual effect of any risk on the business could be materially different from what is anticipated.

In the normal course of business, the Corporation's operations are influenced by a number of internal and external factors and are exposed to risks and uncertainties that can affect its business, financial condition and operating results.

The activities of the Corporation are subject to, but not limited to, the following ongoing risks - which are more fully described in the Corporation's MD&A for the year ended December 31, 2020:

Financial Risks

- Fluctuation in Quarterly Results
- Financing Risks
- Economic Conditions
- History of Operating Losses
- Negative Operating Cash Flow
- Our levels of indebtedness can have negative implications for our shareholders
- Control of the Corporation
- Market Price of the Common Shares
- Dilution
- Dividend Policy
- Conflicts of Interest
- Inflation
- Pandemic Diseases – COVID-19 Response

Risks Relating to the Corporation’s Technology

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

Risks Related to the Corporation’s Operations

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

Legal and Regulatory Risks

- Privacy Concerns and Legislation
- Regulatory Environment

CORPORATE INFORMATION

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George Reznik
Audit Committee Chair

Gord Breese
Director and Chief Executive Officer

Brock Murray
Director and Head of Global Development

Pheak Meas
Director and Head of UX and Design

Officers

Gord Breese
Chief Executive Officer

Karim Teja, CPA, CGA
Chief Financial Officer

Ben Cadieux
Chief Technology Officer

Pheak Meas
Head of UX and Design

Brock Murray
Head of Global Development

William Van Horne
Corporate Secretary

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