Q1 2024

Management Discussion & Analysis

For the Three Months Ended
March 31, 2024

Katipult Technology Corp.

The discussion and analysis of the financial condition and results of operations of the Corporation is prepared as at May 28, 2024 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, 2024, and with the audited financial statements of Katipult Technology Corp., and the notes thereto, for the year ended December 31, 2023.

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 period ended March 31, 2024 and as at March 31, 2024, is dated May 28, 2024, 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, 2024. 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, 2024, and the annual financial statements and related notes for the year ended December 31, 2023, 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.sedarplus.ca).

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. Please refer to "Risk Factors" in this MD&A for a discussion of certain of those risks.

In particular, but without limiting the foregoing, this MD&A may contain forward-looking information and statements pertaining to the ability of the Corporation to repay its debt obligations or successfully renegotiate the terms of its debt including repayment, raise additional funds and fund operations; 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 sustainability, performance and operations, including growing its enterprise customer base, focusing on the enterprise market and caturing companies taht can be used as references, growing monthly recurring revenue and adding new product capabilities. 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", "Adjusted EBITDA", and "churn" 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 values), 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)	**2024**	2023
Net loss	**(379)**	(799)
Plus:		
Finance costs	**280**	188
Unrealized (gain) loss on convertible debentures	**(26)**	490
Foreign exchange gain	**(4)**	(21)
Share-based payments	**6**	18
Other income	**(146)**	(138)
Adjusted EBITDA	**(269)**	(262)

"**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, 2024**	December 31, 2023	Increase (decrease) in working capital
Current assets			
Cash and cash equivalents	**387**	602	(215)
Accounts receivable	**31**	181	(150)
Unbilled revenue	**278**	106	172
Prepaid expenses	**7**	2	5
Total current assets	**703**	891	(188)
Current liabilities			
Accounts payable and accrued liabilities	**343**	295	48
Deferred revenue	**300**	393	(93)
Loan payable - current portion	**7**	60	(53)
Convertible debentures - current portion	**4,085**	3,964	121
Total current liabilities	**4,735**	4,712	23
Working capital	**(4,032)**	(3,821)	(211)

ADDITIONAL GAAP MEASURES DEFINITIONS

"**Annual Recurring Revenue (ARR)"** is the Monthly Recurring Revenue multiplied by twelve.

"**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.

"Monthly Recurring Revenue (MRR)" is the aggregate of a given month's recurring fees charged to clients.

"Subscription Revenue" consists of monthly recurring fees charged to clients for access to operate the Platform (as defined below), software updates, new features and technical support.

"Enterprise Revenue" consists of monthly recurring fees charged to larger more established clients for access to operate the Platform, software updates, new features and technical support for the Corporation's DealFlow Core product.

“Investment Services Revenue” consists of fees charged to clients on qualifying services and/or transactions processed through the Platform (as defined below). 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)**	**2024**	2023
Subscription revenue [1]	**506**	472
Investment services revenue [1]	**-**	13
Total revenue	**506**	485
Gross profit [1]	**403**	384
Gross profit percentage [1]	**79.6%**	79.2%
Adjusted EBITDA [1]	**(269)**	(262)
Total comprehensive income (loss)	**(379)**	(799)

Revenue

When compared to the same period in 2023, Subscription revenue for the three-month period ended March 31, 2024 has increased 7.2% due to increased sales to enterprise clients partially offset by churn. Enterprise client revenue was $426 (2023: $369) which has grown 16% due to the expansion of services to current enterprise clients as well as increasing the number of enterprise clients.

In 2021 the Corporation launched a new revenue stream for providing investment transaction services. This revenue stream is the result of fees charged to clients on qualifying services and/or transactions processed through the Platform (as defined below). This revenue will vary in size and timing as it is based on the volume and characteristics of the transactions processed. The Corporation reported investment services revenue of $nil for the three-month period ended March 31, 2024 (2023: $13).

Gross Profit

The gross profit percentage was 79.6% for the three-month period ended March 31, 2024 (2023: 79.2%). The slightly higher margin is due to continuous growth in revenues. The Corporation has maintained a gross profit percentage of over 70.0% since the fourth quarter of 2017.

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

Adjusted EBITDA and Net Income

Adjusted EBITDA losses were $269 respectively for the three-month period March 31, 2024 (2023: $262). It is stable due to management's continuous focus on prudent expense management and operational efficiency.

The Corporation's net loss and comprehensive loss decreased to $379 for the three-month period ended March 31, 2024 compared to in the comparative period of 2023 (2023: $799). The decreased loss is due in large part to the non-cash revaluation of the 2018 Debentures (as defined below), partially offset by higher non-cash finance costs from the accretion of the 2021 Debenture (as defined below).

OUTLOOK

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;
- Management's assumptions regarding the sustainability of recurring revenue streams and the Corporation's expected profitability; and
- The Corporation's ability to repay its debt obligations, renegotiate the terms of its debt obligations, raise additional funds, and fund operations.

Katipult is continuing to progress in enhancing and expanding functionality in its core DealFlow product. Going forward, the Corporation will focus on continuing to add enterprise customers, growing its monthly recurring revenue ("MRR") and adding new product capabilities to make private capital markets more efficient, transparent and fully digitized. The Corporation is in the process of renegotiating the debt repayment terms on its 2018 Debentures (as defined below) and has obtained a $250 bridge loan from a director of the Corporation; however, the Corporation has not yet been able to generate the sales volumes required to create positive cash flows from operating activities. The Corporation has incurred operating losses since inception and has historically relied on equity and debt financings to fund its operating losses. While the Corporation has previously been successful in raising external capital to fund its operations, there is no guarantee it will be successful in its efforts to raise additional financing; or if financing is available, that it will be on terms that are acceptable to the Corporation.

Due to these factors, there is material uncertainty that casts doubt on the Corporation's ability to continue as a going concern.

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 the Platform.

RESULTS OF OPERATIONS

REVENUE

For the three months ended March 31,		
($ thousands)	**2024**	2023
Subscription revenue [1]	**506**	472
Investment services revenue [1]	**-**	13
	506	485
Cost of revenue	**103**	101
Gross profit [1]	**403**	384
Gross profit percentage [1]	**79.6%**	79.2%

When compared to the same period in 2023, subscription revenue for the three-month period ended March 31, 2024 has increased 7.2% due to increased sales to enterprise clients partially offset by churn. Enterprise client revenue was $426 (2023: $369) which has grown 16% due to the expansion of services to current enterprise clients as well as increasing the number of enterprise clients.

In 2021 the Corporation launched a new revenue stream for providing investment transaction services. This revenue stream is the result of fees charged to clients on qualifying services and/or transactions processed through the Platform. This revenue will vary in size and timing as it is based on the volume and characteristics of the transactions processed. The Corporation reported investment services revenue of $nil for the three-month period ended March 31, 2024 (2023: $13).

SELLING, GENERAL, AND ADMINISTRATIVE

For the three months ended March 31, ($ thousands)	2024	2023
Selling, general, and administrative before share-based payments and bad debt expense	**454**	420
Bad debt (recovery) expense	**12**	(11)
Share-based payment	**6**	18
Selling, general, and administrative	**472**	427

For the three-month period ended March 31, 2024, selling, general and administrative ("SG&A") expenses before share-based payments and bad debt expenses increased when compared to the same period in 2023. The increase is driven by higher labor costs and higher external services costs which include $17 higher consulting fees and $10 higher legal fees, partially offset by slightly lower marketing and sales costs.

During the quarter, the Corporation incurred $12 in bad debt expense (2023: bed debt recovery of $11) due to delays in the collection from two non-enterprise clients.

Included in SG&A expenses is a share-based payment expense of $6 for the three-month period ended March 31, 2024, the expense is lower due to forfeiture of unvested options and the vesting timing of stock options (2023: $18).

RESEARCH AND DEVELOPMENT

For the three months ended March 31, ($ thousands)	2024	2023
Research and development	**206**	237

Research and development ("R&D") expenses are lower in the current quarter compared to the prior year comparative period due to lower labour. The Corporation made significant enhancements in 2021, including the creation and launch of the latest version of its flagship product: Katipult DealFlow along with the release of new product modules including DealFlow Marketing and DealFlow DataHub.

FOREIGN EXCHANGE

For the three months ended March 31,		
($ thousands)	**2024**	2023
Foreign exchange gain	**(4)**	(21)

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, which have been less significant in 2024.

FINANCE COSTS

For the three months ended March 31,		
($ thousands)	**2024**	2023
Bank related charges	**2**	4
Interest on the 2018 Debentures	**147**	93
Accretion on the 2021 Debenture	**130**	91
Other interest and charges	**1**	-
Finance costs	**280**	188
Unrealized loss on convertible debentures	**(26)**	490

Finance costs increased for the three-month period ended March 31, 2024, compared to the same period in the prior year mainly due to increased interest on the 2018 Debentures and the accretion on 2021 Convertible Debenture. 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.

Other interest and charges are related to accretion on the Canadian Emergency Business Account (“CEBA”) loan.

OTHER INCOME

For the three months ended March 31, ($ thousands)	2024	2023
Interest and other income	**(1)**	(2)
Government grant	**(145)**	(136)
Total other (income) and expenses	**(146)**	(138)

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) and CanExport, and Scientific Research and Experimental Development program ("SRED"). During the quarter, the Corporation has recognized $20 grant forgiveness and $125 IRAP deposits (2023: IRAP $136).

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

For the three months ended March 31, ($ thousands)	2024	2023
Adjusted EBITDA [1]	**(269)**	(262)
Total comprehensive income (loss)	**(379)**	(799)
Funds used in operations before change in non-cash working capital	**(125)**	(128)
Total funds proivde by (used in) operating activities	**(189)**	94

Adjusted EBITDA losses were $269 respectively for the three-month period March 31, 2024 (2023: $262). It is stable due to management's focus on prudent expense management and operational efficiency as a response to the slowdown in capital market activity.

The Corporation's net loss and comprehensive loss decreased to $379 for the three-month period ended March 31, 2024 compared to in the comparative period of 2023 (2023: $799). 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 provided by (used in) operations decreased for the three-month period ended March 31, 2024 compared to the prior comparative period in 2023. This is largely related to the timing of milestone and annual payments from enterprise clients.

FINANCIAL AND OPERATING HIGHLIGHTS - QUARTERLY ANALYSIS

	2024	2023				2022		
($ Cdn thousands)	**Q1**	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Enterprise revenue [1]	**426**	559	610	431	369	319	282	274
Non-enterprise revenue [1]	**80**	87	78	107	103	151	194	164
Subscription revenue [1]	**506**	646	688	538	472	470	476	438
Investment services revenue [1]	**-**	27	26	54	13	-	-	-
Integration revenue [1]	**-**	8	7	19	-	8	-	17
Total revenue	**506**	681	721	611	485	478	476	455
Gross profit [1]	**403**	557	606	516	384	380	378	351
Gross profit - percentage [1]	**79.6%**	81.8%	84.0%	84.5%	79.2%	79.5%	79.4%	77.1%
Selling, general, and administrative	**472**	513	574	524	427	486	484	343
Research and development	**206**	212	210	247	237	223	213	276
Adjusted EBITDA [1]	**(269)**	(158)	(164)	(239)	(262)	(299)	(283)	(316)
Net income (loss) and comprehensive income (loss)	**(379)**	(288)	(195)	(484)	(799)	163	(559)	(502)

LIQUIDITY AND CAPITAL RESOURCES

Working capital

As at ($ Cdn thousands) - unaudited	**March 31, 2024**	December 31, 2023	Increase (decrease) in working capital
Current assets			
Cash and cash equivalents	**387**	602	(215)
Accounts receivable	**31**	181	(150)
Unbilled revenue	**278**	106	172
Prepaid expenses	**7**	2	5
Total current assets	**703**	891	(188)
Current liabilities			
Accounts payable and accrued liabilities	**343**	295	48
Deferred revenue	**300**	393	(93)
Loan payable - current portion	**7**	60	(53)
Convertible debentures - current portion	**4,085**	3,964	121
Total current liabilities	**4,735**	4,712	23
Working capital [1]	**(4,032)**	(3,821)	(211)

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

Liquidity

As at March 31, 2024, the Corporation's cash and cash equivalents were $387 (December 31, 2023: $602). As at March 31, 2024, the Corporation had a negative net working capital position of $4,032 (2023: $3,821), the Corporation had a net loss for the three-months ended March 31, 2024 of $379 (2023: $799), cash used by operating activities of $210 for the three-month ended March 31, 2024 (2023: provided $94), and had a deficit of $11,073 as at March 31, 2024 (2023: $10,694).

In addition, the Corporation's 2018 Debentures matured on May 30, 2023 and therefore both the principal and accrued interest ($5,045) can be required to be repaid within six months upon receipt of notification from the holders. There is uncertainty as it relates to whether these will be called in 2024, and if that does happen, the Corporation would require external financing.

The Corporation's ability to continue as a going concern is therefore dependent upon its ability to renegotiate the 2018 Debenture repayment terms in the event of receipt of notification of required repayment from the holders. The Corporation's 2024 cash flow forecast assumes that it is able to collect receivables from its existing customers on a timely basis and that additional short-term financing will be made available via a bridge loan from one of the Corporation's directors.

The Corporation has not yet been able to generate the sales volumes required to create positive cash flows from operating activities. The Corporation has incurred operating losses since inception and has historically relied on equity and debt financings to fund its operating losses. While the Corporation has previously been successful in raising external capital to fund its operations, there is no guarantee it will be successful in its efforts to raise additional financing; or if financing is available, that it will be on terms that are acceptable to the Corporation.

Due to these factors, there is material uncertainty that may cast significant doubt on the Corporation's ability to continue as a going concern. These financial statements do not include necessary adjustments to reflect the recoverability and classification of recorded assets and liabilities and related expenses that might be necessary should the Corporation be unable to continue as a going concern. Such adjustments could be material.

The 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, provide its 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.

SHAREHOLDERS' EQUITY

Issued and Outstanding

Number of common shares	
	Issued
Balance as at December 31, 2023, March 31, 2024, and May 28, 2024	71,523,066

Common shares

As at March 31, 2024, 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 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. The value ascribed to these warrants was $1,188 (see note 4(b)).

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. Each option represents the right to receive one common share of the Corporation, upon exercise of the option.

The following summarizes the changes in outstanding options:

	2024		**2023**	
	Number	**Weighted average exercise price (CND$)**	Number	Weighted average exercise price (CND$)
Outstanding - beginning of period	**2,820,000**	**0.14**	2,720,000	0.14
Granted	**-**	**-**	100,000	0.23
Forfeited	**(100,000)**	**0.23**	-	-
Outstanding - end of the period	**2,720,000**	**0.14**	2,820,000	0.14
Exercisable - end of the period	**707,500**	**0.24**	707,500	0.24

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.

The following summarizes the changes in outstanding RSUs:

As at **(Number of restricted share units)**	**March 31, 2024**	December 31, 2023
Balance at the beginning of period	**370,000**	370,000
Granted	**-**	-
Vested and converted into shares	**-**	-
Balance at the end of period	**370,000**	370,000

During the three-months ended March 31, 2024, no RSUs were granted and the Corporation recognized $nil expense in share-based compensation related to the RSUs (Q1 2023: $nil).

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%.

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 for the Corporation to extend the loans by two additional 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. If the loans are extended, commencing January 1, 2024, interest will accrue 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 is repaid in full on or before January 18, 2024, $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 was recorded as deferred revenue and recognized as other income over the three-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 was recorded as deferred revenue and recognized as other income over the two-year term of the loan.

During the three-month period ended March 31, 2024, the Corporation was approved for repayable financing of a $40 business loan from a credit facility, bearing variable interest at prime rate plus 1.59% per annum. The loan is repayable over 60 consecutive monthly installments of $1 starting from February 19, 2024 until December 22, 2028.

During the three-month period ended March 31, 2024, the Corporation repaid $2 of the loan and recognized $1 interest. (2023: $nil)

CONVERTIBLE DEBENTURES

(a) 2018 Convertible debentures

As at	**March 31,**	December 31,
($ Cdn thousands)	**2024**	2023
Balance at the beginning of period	**3,964**	3,273
Interest accrued during the period	**147**	435
Unrealized (gain) loss on convertible debentures	**(26)**	256
Balance at the end of the year	**4,085**	3,964
Face value of the convertible debentures at end of the period	**3,000**	3,000

On May 30, 2018, the Corporation issued convertible debentures ("2018 Debentures") with a principal balance of $3,000 maturing on May 30, 2023. On or after the maturity date, the holders may deliver a notice, at which point the principal and all accrued unpaid interest become due and payable six months after receiving such notice. The 2018 Debentures have therefore been presented as current on the Statement of Financial Position as at March 31, 2024.

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 the 2018 Debentures reconciles to the carrying amount as at March 31, 2024 and December 31, 2023 as follows:

As at	**March 31,**	December 31,
($ Cdn thousands)	**2024**	2023
Face value	**3,000**	3,000
Interest accrued	**2,045**	1,898
Face value plus accrued interest	**5,045**	4,898
Fair value adjustment	**(960)**	(934)
Balance at the end of the period	**4,085**	3,964

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

The interest rate is the lesser of:

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

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

During the three-months ended March 31, 2024, the Corporation's monthly cash burn rate was such that the accrued annual rate of interest payable was 12% (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, 2024, the unpaid accrued interest payable was $2,045 (December 31, 2023: $1,898). 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 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, 2024 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% (2023: 39.4%), interest payments of 12.0% (2023: 8.5% to 12.0%), and a remaining expected term of 1 year (2023: 1 year). The fair value of the conversion feature is determined using a Black-Scholes model with a volatility of 90% (2023: 90%), a risk-free rate of interest of 4.96% (2023: 4.96%), a stock price of $0.09 (2023: $0.09) per share, and a remaining expected life of 1 year (2023: 1 year), as at March 31, 2024.

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 $5. A 1% increase in the discount rate would result in a decrease in the fair value of the outstanding principal 2018 Debentures of $29. 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,** **2024**	December 31, 2023
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	**1,001**	871
Debenture liability balance at the end of the period	**1,459**	1,329

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

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.

SUBSEQUENT EVENTS

Subsequent to quarter end, the Corporation has entered into a secured promissory note (the "Promissory Note") to borrow $250 (the "Loan") from one of the directors of the Corporation (the “Lender”). The principal amount of the Loan under the Promissory Note shall bear interest at a rate of 15% per annum and the Loan shall mature on the earlier of 60 days from the date of the Promissory Note and the receipt of certain accounts receivable (the "Accounts Receivable") by the Corporation, following which, the interest rate will increase to 25% per annum. In connection with the Loan, the Corporation has granted the Lender security in the Accounts Receivable. In the event that the Loan is not repaid by August 31, 2024, the Promissory Note and all related security will be terminated, and the outstanding principal and interest of the Loan will be rolled over into a convertible debenture held by the Lender, subject to prior TSX Venture Exchange review and approval.

COMMITMENTS AND CONTINGENCIES

Commitments

As at March 31, 2024, 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

Prior to making any investment decisions regarding Katipult, investors should carefully consider, among other things, the risks described herein (including, but not limited to, risks and uncertainties listed in the Forward-Looking Statements section in this MD&A).

Going Concern

These financial statements have been prepared on the basis that the Corporation will continue as a going concern, which assumes that the Corporation will be able to realize its assets and satisfy its liabilities in the normal course of business.

The Corporation had a negative net working capital position of $4,032 as at March 31, 2024. It had a net loss for the three-months ended March 31, 2024 of $379, used cash in operating activities of $210 for the three-months ended March 31, 2024, and had a deficit of $11,073 as at March 31, 2024.

In addition, the Corporation's 2018 Debentures matured on May 30, 2023 and therefore both the principal and accrued interest ($5,045) can be required to be repaid within six months upon receipt of notification from the holders. There is uncertainty as it relates to whether these will be called in 2024, and if that does happen, the Corporation would require external financing.

The Corporation's ability to continue as a going concern is therefore dependent upon its ability to renegotiate the 2018 Debentures repayment terms of in the event of receipt of notification of required repayment from the holders. The Corporation's 2024 cash flow forecast assumes that it will meet the contractual criteria to invoice for milestone payments under an existing software implementation contract with a major customer, that the Corporation is able to collect receivables from its existing customers on a timely basis, and that additional short-term financing will be made available via a bridge loan from one of the Corporation's directors.

The Corporation has not yet been able to generate the sales volumes required to create positive cash flows from operating activities. The Corporation has incurred operating losses since inception and has historically relied on equity and debt financings to fund its operating losses. While the Corporation has previously been successful in raising external capital to fund its operations, there is no guarantee it will be successful in its efforts to raise additional financing; or if financing is available, that it will be on terms that are acceptable to the Corporation.

These financial statements do not include necessary adjustments to reflect the recoverability and classification of recorded assets and liabilities and related expenses that might be necessary should the Corporation be unable to continue as a going concern. Such adjustments could be material.

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, 2023:

Financial Risks

- Fluctuation in Quarterly Results
- Financing Risks
- Economic Conditions
- History of Operating Losses
- Negative Operating Cash Flow
- The levels of indebtedness can have negative implications for the shareholders
- The ability to renegotiate the debt obligations can have implications on the shareholders
- Control of the Corporation
- Market Price of the Common Shares

- Dilution
- Dividend Policy
- Conflicts of Interest
- Inflation

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

Head Office

900 - 903 8th Avenue SW
Calgary, Alberta
T2P 0P7

Telephone: 403.457.8008

www.Katipult.com

Directors

Brian Craig
Chair of the Board

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