Q2 2022

Management Discussion & Analysis

For the Three and Six Months Ended June 30, 2022

Katipult Technology Corp.

The discussion and analysis of the financial condition and results of operations of the Corporation is prepared as at August 18, 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- and six-month period ended June 30, 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- and six-month periods ended June 30, 2022 and as at June 30, 2022, is dated August 18, 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- and six-month period ended June 30, 2022. The MD&A should be read in conjunction with the unaudited condensed interim financial statements and related notes for the three- and six-month period ended June 30, 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”, “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 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:

	Three months ended June 30,		**Six months ended June 30,**	
($ Cdn thousands)	**2022**	2021	**2022**	2021
Net loss	**(502)**	(323)	**(1,212)**	(1,161)
Plus:				
Depreciation and amortization	**7**	7	**14**	15
Finance costs	**163**	136	**322**	254
Unrealized loss (gain) on convertible debentures	**138**	(292)	**287**	136
Foreign exchange (gain) loss	**(9)**	(3)	**(1)**	19
Share-based payments	**(48)**	103	**(28)**	59
Other income	**(65)**	(4)	**(169)**	(27)
Adjusted EBITDA	**(316)**	(376)	**(787)**	(705)

“**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**	**June 30, 2022**	December 31, 2021	Increase (decrease) in working capital
Current assets			
Cash and cash equivalents	**1,932**	2,503	(571)
Accounts receivable	**124**	33	91
Prepaid expenses	**14**	13	1
Total current assets	**2,070**	2,549	(479)
Current liabilities			
Accounts payable and accrued liabilities	**235**	373	(138)
Deferred revenue	**663**	359	304
Current portion of lease obligation	**2**	21	(19)
Total current liabilities	**900**	753	147
Working capital	**1,170**	1,796	(626)

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 SaaS fees charged to clients.

"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

	Three months ended June 30,		Six months ended June 30,	
($ Cdn thousands)	**2022**	2021	**2022**	2021
Subscription revenue [(1)]	**438**	409	**874**	787
Investment services revenue [(1)]	**-**	4	**-**	9
Integration revenue [(1)]	**17**	10	**36**	10
Total revenue	**455**	423	**910**	806
Gross profit [(1)]	**351**	335	**705**	640
Gross profit percentage [(1)]	**77.1%**	79.2%	**77.5%**	79.4%
Adjusted EBITDA [(1)]	**(316)**	(376)	**(787)**	(705)
Total comprehensive income (loss)	**(502)**	(323)	**(1,212)**	(1,161)

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 periods in 2021, Subscription revenue for the three- and six- month period ended June 20, 2022 has increased 7.1% and 11.1% due to increased sales to enterprise clients partially offset by churn of mostly smaller, legacy customers.

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. This revenue will vary in size and timing as it is based on the volume and characteristics of the transactions processed. Due to the significant slow down in private capital deal activity, the Corporation did not generate any revenue in Q2 2022.

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 $17 and $36 for the three and six months period anded June 30, 2022 (2021: $10 and $10).

Continued investment impacts Adjusted EBITDA and Net Income

The gross profit percentage was 77.1% and 77.5% for the three- and six-month period ended June 30, 2022 (2021: 79.2% and 79.4%). The slightly lower margins is due to slightly higher support costs required in supporting new, more sophisticated clients. 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 $316 and $787 respectively for the three- and six-month period June 30, 2022 (2021: $376 and $705). The improvement in the second quarter is related to management's focus on prudent expense management and operational efficiency as a response to the slow down in capital market activity. For the six month period ended June 30, 2022, the increase is mostly due to the higher salaries, subcontractors, and benefits expenditures.

The Corporation's net loss and comprehensive loss increased to $502 and $1,212 for the three- and six-month period ended June 30, 2022 compared to in the comparative period of 2021 (2021: $323 and $1,161). The increased 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.

SECOND QUARTER 2022 HIGHLIGHTS

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.

Katipult Announces Grant of Stock Options to Officers and Employees

On June 1, 2022, Katipult announced that it had granted stock options to certain officers and employees. In aggregate, 1,650,000 stock options have been granted, with each stock option representing the right to receive one common share of the Company upon vesting, exercisable at a price of $0.10. The stock options will vest as to 50% on June 1, 2024 and as to a further 25% on each of June 1, 2025 and June 1, 2026. The Options will expire on June 1, 2027.

Sprott Capital Partners Selects Katipult DealFlow for Automating Capital Markets Deal Operations

On June 21, 2022, Katipult announced Sprott Capital Partners has chosen to use Katipult DealFlow to modernize its processes around financings. Sprott Capital Partners LP ("SCP"), a division of Sprott Inc. was formed in 2017 to provide a comprehensive suite of capital raising and advisory solutions to natural resources companies. In a short period of time, SCP has become a trusted partner to corporate and institutional clients by leading and completing a number of financings and M&A advisory mandates. Leveraging its deep sector expertise, longstanding relationships and best-in-class execution capabilities, SCP is uniquely positioned to deliver successful financial and strategic outcomes to its clients.

Katipult Launches Enterprise-Grade Data Integration Capabilities to its DealFlow Platform

On July 5, 2022, Katipult announced its private placement platform, DealFlow, has been upgraded with addition of a new enterprise-grade data integration module – DealFlow: DataHub. This module enables users to securely link their backend systems with DealFlow platform, allowing them to directly populate subscription documents with the latest information from their systems of record.

DealFlow:'s DataHub extracts large volumes of data from the commonly used systems of record in the industry, such as ISM or Dataphile. The data is then streamlined and used to populate the intelligent digital subscription documents that are core to the DealFlow platform. With the addition of DealFlow: DataHub, customers will no longer need to manually input or update the data that will populate the subscription documents. Further, DataHub will also enable single sign-on to the DealFlow platform, allowing users to sign on with their standard enterprise credentials.

Cormark Securities Goes Live With Katipult's Industry-Leading Investor Onboarding Solution

On July 14, 2022, Katipult announced that Cormark Securities, one of Canada's foremost investment dealers, went live with its investor onboarding solution. Katipult's investor onboarding solution uses intelligent onboarding forms with built-in conditional logic and multi-approval flows that eliminate redundancy and minimize errors. Everything is also customizable, allowing firms like Cormark Securities to match these new digital onboarding forms with their legacy manual documents – creating a smooth transition process for both the firm and its investors.

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; and
- Management's assumptions regarding the sustainability of recurring revenue streams and the Corporation's expected profitability.

Katipult continued to progress in enhancing and expanding functionality in its core DealFlow product in the first half of 2022. 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

	Three months ended June 30,		Six months ended June 30,	
($ Cdn thousands)	**2022**	2021	**2022**	2021
Subscription revenue (1)	**438**	409	**874**	787
Investment services revenue (1)	**-**	4	**-**	9
Integration revenue (1)	**17**	10	**36**	10
	455	423	**910**	806
Cost of revenue	**104**	88	**205**	166
Gross profit (1)	**351**	335	**705**	640
Gross profit percentage (1)	**77.1%**	79.2%	**77.5%**	79.4%

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 periods in 2021, Subscription revenue for the three- and six- month period ended June 20, 2022 has increased 7.1% and 11.1% due to increased sales to enterprise clients. partially offset by churn of mostly smaller, legacy customers.

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. This revenue will vary in size and timing as it is based on the volume and characteristics of the transactions processed. Due to the significant slowdown in private capital deal activity, the Corporation did not generate any revenue in Q2 2022.

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 $17 and $36 for the three and six months period ended June 30, 2022 (2021: $10 and $10).

The gross profit percentage was 77.1% and 77.5% for the three- and six-month period ended June 30, 2022 (2021: 79.2% and 79.4%). The slightly lower margins is due to slightly higher support costs required in supporting new, more sophisticated clients. The Corporation has maintained a gross profit percentage of over 70.0% since the fourth quarter of 2017.

SELLING, GENERAL, AND ADMINISTRATIVE

($ Cdn thousands)	Three months ended June 30, **2022**	2021	Six months ended June 30, **2022**	2021
Selling, general, and administrative before share-based payments and bad debt expense	**389**	506	**882**	957
Bad debt (recovery) expense	**2**	-	**(1)**	(7)
Share-based payments	**(48)**	103	**(28)**	59
Selling, general, and administrative	**343**	609	**853**	1,009

For the three- and six-month period ended June 30, 2022, selling, general and administrative (SG&A) expenses before share-based payments and bad debt expenses decreased when compared to the same periods in 2021. The decrease is the result of a reduction of staff as the Corporation prudently manages its expenses with increased operational efficiency in response to the slowdown in the capital markets. Most of the reduction was in reducing staff and professional fees.

During the quarter, the Corporation incurred $2 in bad debt expense and a recovery in Q1 2022 of $1 of previously booked bad debt expense (2021: $nil and recovery $7).

Included in SG&A expenses is a share-based payment recovery of $48 and $28 for the three- and six- month period ended June 30, 2022, due to a reduction of staff (2021: expense of $103 and $59). The expense is driven by the issuance and vesting timing of restricted share units and stock options.

RESEARCH AND DEVELOPMENT

($ Cdn thousands)	Three months ended June 30, **2022**	2021	Six months ended June 30, **2022**	2021
Research and development	**276**	205	**611**	395

Research and development (R&D) expenses are higher during the current quarter and year-to-date as the Corporation continues to enhance its product offering and build out its product road-map for its Enterprise clients, specifically the Dealflow capabilities recently launched.

FOREIGN EXCHANGE

($ Cdn thousands)	Three months ended June 30, **2022**	2021	Six months ended June 30, **2022**	2021
Foreign exchange (gain) loss	**(9)**	(3)	**(1)**	19

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

($ Cdn thousands)	Three months ended June 30, 2022	2021	Six months ended June 30, 2022	2021
Bank related charges	**3**	3	**7**	12
Interest on 2018 Debentures	**88**	81	**178**	177
Accretion on 2021 Debenture	**69**	48	**130**	60
Interest on lease obligation	**-**	2	**1**	5
Other interest and charges	**3**	2	**6**	4
Finance costs	**163**	136	**322**	254
Unrealized (gain) loss on 2018 Debentures	**138**	(292)	**287**	136

Finance costs increased for the three- and six- month period ended June 30, 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 and ends in the third quarter of 2022.

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

OTHER INCOME

($ Cdn thousands)	Three months ended June 30, 2022	2021	Six months ended June 30, 2022	2021
Interest and other income	**(2)**	(2)	**(6)**	(3)
Government grants	**(63)**	(2)	**(163)**	(24)
Total other income and expenses	**(65)**	(4)	**(169)**	(27)

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

($ Cdn thousands)	Three months ended June 30, 2022	2021	Six months ended June 30, 2022	2021
Adjusted EBITDA [1]	**(316)**	(376)	**(787)**	(705)
Total comprehensive income (loss)	**(502)**	(323)	**(1,212)**	(1,161)
Funds used in operations before change in non-cash working capital	**(254)**	(375)	**(625)**	(686)
Total funds used in operating activities	**(186)**	(296)	**(562)**	(484)

Adjusted EBITDA losses increased to $316 and $787 for the three- and six-month period June 30, 2022 (2021: $376 and $705). The decrease in the second quarter is related to management's focus on prudent expense management and operational efficiency as a response to the slowdown in capital market activity. For the six month period ended June 30, 2022, 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 Corporation's net loss and comprehensive loss increased to $502 and $1,212 for the three- and six-month period ended June 30, 2022 compared to in the comparative period of 2021 (2021: $323 and $1,161). The increased 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 decreased for the three-month period ended June 30, 2022 compared to the prior comparative period in 2021. This is related to higher revenue and lower SG&A costs. On a year-to-date basis, cash used in operations was higher as a result of more working capital required and higher R&D costs.

FINANCIAL AND OPERATING HIGHLIGHTS - QUARTERLY ANALYSIS

($ Cdn thousands)	2022 Q2	Q1	2021 Q4	Q3	Q2	Q1	2020 Q4	Q3
Subscription revenue [1]	**438**	436	467	427	409	378	329	301
Investment services revenue [1]	**-**	-	13	-	4	5	-	-
Integration revenue [1]	**17**	19	-	-	10	-	-	-
Total revenue	**455**	455	480	427	423	383	329	301
Gross profit [1]	**351**	354	377	340	335	305	253	232
Gross profit - percentage [1]	**77.1%**	77.8%	78.5%	79.6%	79.2%	79.6%	76.9%	77.1%
Selling, general, and administrative	**343**	510	578	517	609	400	223	494
Research and development	**276**	335	274	303	205	190	195	190
Adjusted EBITDA [1]	**(316)**	(471)	(435)	(415)	(376)	(329)	(289)	(387)
Net income (loss) and comprehensive income (loss)	**(502)**	(710)	(461)	(648)	(323)	(838)	239	(768)

LIQUIDITY AND CAPITAL RESOURCES

Working capital

As at **($ Cdn thousands) - unaudited**	**June 30, 2022**	December 31, 2021	Increase (decrease) in working capital
Current assets			
Cash and cash equivalents	**1,932**	2,503	(571)
Accounts receivable	**124**	33	91
Prepaid expenses	**14**	13	1
Total current assets	**2,070**	2,549	(479)
Current liabilities			
Accounts payable and accrued liabilities	**235**	373	(138)
Deferred revenue	**663**	359	304
Current portion of lease obligation	**2**	21	(19)
Total current liabilities	**900**	753	147
Working capital [(1)]	**1,170**	1,796	(626)

Liquidity

As at June 30, 2022, the Corporation's cash and cash equivalents were $1,932 (December 31, 2021: $2,503). As at June 30, 2022, the Corporation had a positive net working capital position of $1,170 (December 31, 2021: $1,796). The Corporation had a net loss for the six month period ended June 30, 2022 of $1,212 (2021: $1.161), used cash in operations of $562 (2021: $484), and had a deficit of $8,532 as at June 30, 2022 (December 31, 2021: $7,320).

The Corporation carries debt in the form of the 2018 Debentures and the 2021 Debentures 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

[(1)] See Non-GAAP measures and additional GAAP measures 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 as at 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 and August 18, 2022	71,523,066

Common shares

As at June 30, 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	1,650,000	0.10	1,325,000	0.25
Forfeited	(1,761,250)	0.23	(918,750)	0.24
Exercised	-	-	(1,750,000)	0.10
Outstanding - end of the period	3,420,000	0.14	3,531,250	0.21
Exercisable - end of the period	847,500	0.12	2,600,000	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)**	**June 30, 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	**June 30,**	December 31,
($ Cdn thousands)	**2022**	2021
Balance at the beginning of period	**3,030**	2,662
Interest accrued during the period	**178**	347
Unrealized loss on convertible debentures	**287**	21
Balance at the end of the year	**3,495**	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 June 30, 2022 and December 31, 2021 as follows:

As at **($ Cdn thousands)**	**June 30,** **2022**	December 31, 2021
Face value	**3,000**	3,000
Interest accrued	**1,275**	1,097
Face value plus accrued interest	**4,275**	4,097
Fair value adjustment	**(782)**	(1,088)
Balance at the end of the year	**3,493**	3,009

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 six-month period ended June 30, 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 June 30, 2022, the unpaid accrued interest payable was $1,275 (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 June 30, 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% (2021: 39.4%), interest payments of 8.5% to 12.0%, and a remaining expected term of 0.9 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 3.09% (December 31, 2021: 0.95%), a stock price of $0.10 (2021: $0.13) per share, and a remaining expected life of 0.9 years (2021: 1.4 years), as at June 30, 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 $4. A 1% increase in the discount rate would result in a decrease in the fair value of the outstanding principal 2018 Debentures of $23. 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	**June 30,**	**December 31,**
($ Cdn thousands)	**2022**	**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	**298**	**168**
Debenture liability balance at the end of the period	**756**	**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 June 30, 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

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).

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 raise the necessary capital on terms acceptable to the Corporation and be able to realize its assets and satisfy its liabilities in the normal course of business for the foreseeable future.

Although the Corporation had a positive net working capital position of $1,170 as at June 30, 2022 (December 31, 2021: $1,931), the Corporation had a net loss for the six month period ended June 30, 2022 of $1,212 (2021: $1,161), used cash in operating activities of $562 for the six month period ended June 30, 2022 (2021: $484), and had a deficit of $8,532 as at June 30, 2022 (December 31, 2021: $7,320).

The Corporation carries debt in the form of convertible debentures that will mature in 2023 and 2026 which may be required to be settled in cash (see note 4).

The Corporation has not yet been able to generate the sales volumes required to create positive cash flows from operating activities. 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. These circumstances indicate the existence of a material uncertainty that may cast significant doubt on the Corporation's ability to meet its obligations as they come due and, accordingly, 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.

In addition to the Going Concern risk, the business of Katipult is subject to other significant risks and uncertainties. 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, 2021:

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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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