

KAPA CAPITAL INC.
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NEWS RELEASE

December 5, 2018

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**KAPA CAPITAL INC. ANNOUNCES QUALIFYING TRANSACTION WITH PSI
INTERNATIONAL INC.**

Kapa Capital Inc. (“**Kapa**” or the “**Company**”) is pleased to announce that it has entered into a binding agreement (the “**Agreement**”) dated November 29, 2018 with PSI International, Inc. (“**PSI**”), a US private company incorporated under the laws of the state of Virginia. Kapa and PSI propose to complete an arrangement, amalgamation, share exchange or similar transaction and continue the business of PSI (the “**Transaction**”). The Transaction is expected to constitute Kapa’s Qualifying Transaction under the Capital Pool Companies policy (the “**CPC Policy**”) of the TSX Venture Exchange (the “**Exchange**”). Kapa, after completion of the Qualifying Transaction, is referred to in this news release as the “**Resulting Issuer**”.

For over 40 years, PSI has been a provider of information technology and data analytics and management solutions to federal, state and local government agencies. PSI’s key clients include United States’ Department of Defense, Department of Homeland Security, National Aeronautics and Space Administration, and Food and Drug Administration and other local and state agencies such as New York State, NYPD, MTA and WMATA. PSI is headquartered in Fairfax, Virginia. In 2017, PSI had revenue of approximately US\$44 million and positive earnings before taxes, which amount is reflected in the audited consolidated financial statements of PSI for the year ended December 31, 2017. All of PSI’s revenues are long-term multi-year contracts with United States’s federal, state and local government agencies.

Further information about PSI, including financial information and the proposed management and board of directors of the Resulting Issuer, will be provided in a subsequent news release. Prior to and/or concurrent with the completion of the Transaction, PSI may complete one or more private placements of subscription receipts or other form of security, in consultation with Kapa, for gross proceeds of approximately CAD\$10 million, or such other amount as may be determined by PSI (the “**PSI Private Placement**”)

Upon completion of the Transaction, the parties anticipate that the Resulting Issuer will be listed as a Tier 2 Technology Issuer on the Exchange.

The Transaction is arm’s length and is therefore not a Non-Arm’s Length Qualifying Transaction under the CPC Policy. Accordingly, the CPC Policy does not require Kapa to obtain shareholder approval of the Transaction.

“This represents an important milestone for PSI,” said Richard Seol, Chairman and President of PSI. “This agreement with Kapa positions PSI to execute on our growth

strategy, broaden our customer base, and expand our geographic footprint. Our client's success continues to drive our business, and this transaction enhances our ability to provide our customer's with valuable and actionable data solutions."

Harry Katevatis, President, CEO and director of Kapa stated "Kapa is excited to combine with PSI and has been impressed with its review of PSI's business and revenue growth, as well as its experienced management team. In addition, PSI has an impressive pipeline of new business opportunities. We look forward to working together towards building shareholder value and executing PSI's business plan".

The Agreement contemplates that Kapa, PSI and PSI's stockholders will complete a business combination by way of an amalgamation, share exchange, arrangement or other similar form of transaction whereby the holders of common stock of PSI will exchange such common stock in consideration for common shares of Kapa. Outstanding convertible securities in PSI will also be exchanged for equivalent convertible securities of Kapa on the basis of an exchange ratio to be definitively agreed upon by the parties.

Immediately before the closing of the Transaction, Kapa will (a) consolidate the issued and outstanding common shares and convertible securities of Kapa on the basis of an exchange ratio to be agreed upon by the parties (the "**Consolidation**"), and (b) change its name to a new name suitable to the business of PSI. The share exchange is expected to take place on a 1-for-1 basis, after completion of the Consolidation and the change of name. As of the date hereof PSI has 24,000,000 common shares outstanding, and accordingly Kapa expects to issue 24,000,000 post-Consolidation common shares in consideration of all the shares of PSI now-outstanding (the "**Base Value**"). In addition to the Base Value, Kapa expects to issue such number of Kapa shares as is equal to the shares of PSI issued under the PSI Private Placement (the "**Placement Shares**") to the holders of Placement Shares in consideration of 100% of the Placement Shares. Any convertible securities of PSI issued pursuant to the PSI Private Placement will be similarly exchanged. The exact ratio of the Consolidation will be determined by Kapa following completion of the PSI Private Placement, and will be calculated to imply a value of \$0.30 per Kapa common share (pre-Consolidation) immediately prior to completion of the Transaction.

Certain of the Resulting Issuer shares issued to the principals of PSI who will become management of the Resulting Issuer will be subject to escrow in accordance with TSXV policies.

Conditions of Closing

Completion of the Transaction will be subject to certain conditions, including but not limited to: (a) the parties' entry into a definitive agreement in furtherance to the Agreement; (b) completion of the PSI Private Placement; (c) receipt of all necessary regulatory approval and the approval of the shareholders of Kapa and PSI; (d) receipt of all necessary third party consents; (e) approval of the Transaction by the Exchange as Kapa's Qualifying Transaction; and (f) Kapa satisfying the Initial Listing Requirements set by the Exchange for a Tier 2 Technology Issuer.

Sponsorship

Kapa intends to apply to the Exchange for a waiver of the Exchange's sponsorship requirements. There is no assurance that this waiver will be granted; however, Kapa anticipates that, considering the advanced stage of PSI's business and the size of the PSI Private Placement, there are reasonable expectations that the Exchange will grant the waiver.

Management and Board of Directors

Upon completion of the Qualifying Transaction, it is expected that all members of the Kapa board and certain of Kapa's senior officers will resign and the board of directors and management team of the Resulting Issuer will be reconstituted with nominees put forth by PSI. Kapa will provide further details regarding the proposed insiders of the Resulting Issuer in due course.

Trading in Kapa's shares has been halted, and the halt is expected to remain in place until the Transaction is completed.

ON BEHALF OF THE BOARD

Kapa Capital Inc.

Charalambos (Harry) Katevatis
President, Chief Executive Officer and Director

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Statements in this press release regarding Kapa which are not historical facts are "forward-looking statements" that involve risks and uncertainties, such as the completion of the proposed Qualifying Transaction. Such information can generally be identified by the use of forwarding-looking wording such as "may", "expect", "estimate", "anticipate", "intend", "believe" and "continue" or the negative thereof or similar variations. Since forward-looking statements address future events and conditions, by their very nature, they involve inherent risks and uncertainties such as the risk that the closing may not occur for any reason. Forwarding-looking statements in this news release include the statements that: (i) the parties anticipate that the Resulting Issuer will be listed as a Tier 2 Technology Issuer and (ii) discuss the proposed gross proceeds of the PSI Private Placement.

Actual results in each case could differ materially from those currently anticipated in such statements due to factors such as: (i) the decision to not close the Qualifying Transaction or PSI Private Placement for any reason, including adverse due diligence results and Exchange refusal of the Qualifying Transaction; (ii) adverse market conditions; and (iii) the need for additional financing. Except as required by law, the Company does not intend to update any changes to such statements.

Completion of the transaction is subject to a number of conditions, including but not limited to, Exchange acceptance and if applicable pursuant to Exchange Requirements, majority of the minority shareholder approval. Where applicable, the Transaction cannot close until

the required shareholder approval is obtained. There can be no assurance that the Transaction will be completed as proposed or at all.

Investors are cautioned that, except as disclosed in the management information circular or filing statement to be prepared in connection with the transaction, any information released or received with respect to the transaction may not be accurate or complete and should not be relied upon. Trading in the securities of a capital pool company should be considered highly speculative.

The TSX Venture Exchange Inc. has in no way passed upon the merits of the proposed Transaction and has neither approved nor disapproved the contents of this press release.

Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.