

KAPA CAPITAL INC.

Management's Discussion and Analysis of Financial Position and Results of Operations

For the year ended April 30, 2019

OVERVIEW

This Management Discussion and Analysis ("MD&A") of Kapa Capital Inc. (the "Company" or "Kapa") has been prepared by management as of August 28, 2019.

MD&A should be read in conjunction with the Company's audited financial statements for the year ended April 30, 2019, copies of which are filed on the SEDAR website: www.sedar.com.

The Company prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS"). All dollar figures included herein and in the following discussion and analysis are quoted in Canadian dollars unless otherwise noted.

The financial information in this MD&A is derived from the Company's financial statements prepared in accordance with IFRS. This MD&A may contain forward looking statements based on assumptions and judgments of management regarding events or results that may prove to be inaccurate as a result of risk factors beyond its control. Actual results may differ materially from the expect results.

The Company was formed for the primary purpose of completing an Initial Public Offering ("IPO") on the TSX Venture Exchange ("Exchange") as a Capital Pool Company ("CPC") as defined in Policy 2.4 of the Exchange.

As a CPC, the Company's principal business would be to identify, evaluate and acquire assets, properties or businesses which would constitute a qualifying transaction in accordance with Policy 2.4 of the Exchange ("Qualifying Transaction"). A CPC has 24 months from when the shares are listed on the Exchange to complete a Qualifying Transaction. Such a transaction will be subject to shareholder and regulatory approval. Until completion of the Qualifying Transaction, the Company will not carry on any business other than the identification and evaluation of businesses or assets with a view to completing a potential Qualifying Transaction. The Company filed a CPC prospectus dated July 26, 2018 in connection with the IPO.

On September 24, 2018, the Company completed its IPO of 2,000,000 common shares for gross proceeds of \$200,000 through an agent. The Company's common shares commence trading on the Exchange under the trading symbol "KAPA.P".

FORWARD-LOOKING INFORMATION

This MD&A may contain "forward-looking statements" which reflect the Company's current expectations regarding the future results of operations, performance and achievements of the Issuer. The Issuer has tried, wherever possible, to identify these forward-looking statements by, among other things, using words such as "anticipate," "believe," "estimate," "expect" and similar expressions. The statements reflect the current beliefs of the management of the Company and are based on currently available information. Accordingly, these statements are subject to known and unknown risks, uncertainties and other factors, which could cause the actual results, performance, or achievements of the Issuer to differ materially from those expressed in, or implied by, these statements.

The Company undertakes no obligation to publicly update or review the forward-looking statements whether as a result of new information, future events or otherwise. Historical results of operations and trends that may be inferred from the following discussions and analysis may not necessarily indicate future results from operations.

PROPOSED TRANSACTION

Qualifying Transaction

The Company ("Kapa") 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' 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 subsequently. 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 does not require Kapa to obtain shareholder approval of the Transaction according to the CPC Policy.

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 Exchange 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 May 31, 2019, Kapa and PSI agreed to extend the termination date of the agreement to September 30, 2019 with amendments.

OVERALL PERFORMANCE

The Company was incorporated under the British Columbia Business Corporations Act on January 29, 2018.

The Company was formed for the primary purpose of completing an Initial Public Offering ("IPO") on the TSX Venture Exchange ("Exchange") as a Capital Pool Company ("CPC") as defined in Policy 2.4 of the Exchange.

The Company filed a final prospectus dated July 4, 2018 in connection with the IPO. On September 24, 2018, the Company completed its IPO. The Company's common shares are expected to commence trading on the Exchange on September 27, 2018 under the trading symbol "KAPA.P".

Results of Operations

For the year ended April 30, 2019, the Company reported a net loss of \$129,781. The Company's operating expenses included the following:

- | | |
|----------------------------------|----------|
| • Professional fees | \$49,503 |
| • Transfer agent and filing fees | \$32,038 |
| • Share-based compensation | \$44,909 |
| • General and administrative | \$3,331 |

Professional fees of \$49,503 consists of expenses relating to the Company's financial recording and reporting activities in connection with year-end filings and audit, as well as legal and administrative fees to complete its IPO.

Transfer agent and filing fees of \$32,038 were related to the initial public offering and expenditures in connection with share capital activities and reporting of the Company.

Share-based compensation of \$44,909 relate to the issuance of stock option to the Company's officers and directors.

General and administrative expenses of \$3,331 relate to expenses paid for administration and support.

SUMMARY OF QUARTERLY RESULTS

The Company's operating results from the last five quarters are summarized as follows:

	Three months ended April 30, 2019	Three months ended January 31, 2019	Three months ended October 31, 2018	Three months ended July 31, 2018	From inception date of January 29, 2018 to April 30, 2018
	-\$-	-\$-	-\$-	-\$-	-\$-
Net loss for the period	(16,224)	(7,362)	(115,239)	(23,404)	(234)
Loss per share	(0.00)	(0.00)	(0.07)	(0.01)	(0.00)

The increased net loss in the quarter ended July 31, 2018 compared with the period ended April 30, 2018 was primarily due to the increase in accounting, audit and the transfer agent and filing fees for the reporting and compliance.

The increase net loss in the quarter ended October 31, 2018 compared with the quarter ended July 31, 2018 was primarily due to the increase in legal and transfer agent and filing fees to complete its IPO. The share-based compensation also contributed to the increase in net loss.

The decrease net loss in the quarter ended January 31, 2019 compared with the quarter ended October 31, 2018 was primarily due to the significant expenditures incurred in the quarter ended October 31, 2018 for the IPO completion. The expenditures decreased significantly in the quarter ended January 31, 2019, as management only incurred necessary compliance and operational expenses to conserve cash.

The increase in the net loss in the quarter ended April 30, 2019 compared with the quarter ended January 31, 2019 was primarily due to the significant expenditures incurred in the quarter ended April 30, 2019 on the compliance fees for the transfer agent and filing fees.

LIQUIDITY AND CAPITAL RESOURCES

The Company had a net working capital of \$263,954 as at April 30, 2019 (April 30, 2018 - \$199,767) and cash on hand of \$268,051 (April 30, 2018 - \$173,267). The Company anticipates similar general and administrative expenses over the next quarter and anticipates additional costs for completing the Qualifying Transaction. As at April 30, 2019, the Company had sufficient liquidity to meet its obligations for the current and next fiscal years.

Shares:

On January 29, 2018, the Company issued 1 common share for proceeds of \$1 to the Chief Executive Officer of the Company.

On March 29, 2018, the Company issued 2,000,000 common shares at \$0.05 per share for proceeds of \$100,000. Included in the issuance was 1,100,000 common shares to the Chief Executive Officer of the Company, 800,000 common shares to a company controlled by a director of the Company, and 100,000 common shares to a company controlled by the Chief Financial Officer of the Company.

On March 29, 2018, the Company issued 1,000,000 common shares at \$0.10 per share for proceeds of \$100,000.

On September 24, 2018, the Company completed its initial public offering (the "Offering") of 2,000,000 common shares for gross process of \$200,000 through an agent. In connection with the Offering, the agent received a cash commission equal to 10% of the gross proceeds of the Offering. In addition, the

Company granted to the agent a non-transferable warrant to purchase up to 200,000 common shares at a price of \$0.10 per share, which may be exercised for a period of 24 months from the day the shares are listed on the TSX Venture Exchange.

Options:

On September 24, 2018, the Company granted 500,000 share options to its directors and officers, which are exercisable for a period of five years, at a price of \$0.10 per share. The fair value of \$44,909 was estimated using the Black-Scholes pricing model with estimated, stock price of \$0.10, volatility 143.73%, risk-free rate 2.34%, dividend yield 0%, and expected life of 5 years.

Warrants:

On September 24, 2018, the Company granted 200,000 warrants to the agent pursuant to the Offering completed on September 24, 2018. The warrants have an estimated fair value of \$10,438, which has been included in reserve. The fair value of the warrants was estimated using the Black-Scholes pricing model with the following assumptions: expected life 2 years, volatility 97.84%, risk-free rate 2.19%, dividend yield 0%.

As of the date of this report, there were 5,000,001 common shares, 500,000 share options and 200,000 warrants outstanding.

Cash Flow Activities:

Cash balances increased by \$94,784 during the year ended April 30, 2019. Significant cash outflows consisted of professional and filing fees related to year-end reporting and IPO. Significant cash inflows consisted of proceeds received from the issuance of commons shares from the IPO.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements as at April 30, 2019 or as of the date of this report.

TRANSACTIONS WITH RELATED PARTIES

During the period ended April 30, 2018, the Company issued 1,100,001 shares to the CEO of the Company for the total proceeds of \$55,001.

During the period ended April 30, 2018, the Company issued 100,000 shares to a company controlled by the CFO of the Company for the total proceeds of \$5,000.

During the period ended April 30, 2018, the Company issued 800,000 shares to a company controlled by a director of the Company for the total proceeds of \$40,000.

On September 24, 2018, the Company granted 200,000 options to the CEO, 100,000 options to the CFO, and 200,000 options to Allan Williams, a director of the Company.

During the year ended April 30, 2019, the Company granted 500,000 options to the CEO, CFO and a director of the Company:

	Year ended on April 30, 2019	
	Number of options	Share-based payment - \$ -
CEO	200,000	17,964
CFO	100,000	8,981
Director	200,000	17,964
	500,000	44,909

CRITICAL ACCOUNTING ESTIMATES

For a detailed summary of the Company's significant accounting policies, the readers are directed to Note 2 of the Notes to the audited condensed financial statements for the year ended April 30, 2019.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In connection with Exemption Orders issued in November 2007 by each of the securities commissions across Canada, the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the unaudited interim financial statements and the audited annual financial statements and respective accompanying MD&A.

In contrast to the certificate under National Instrument ("NI") 52-109 (Certification of Disclosure in Issuer's Annual and Interim Filings), the Venture Issuer Basic Certification includes a 'Note to Reader' stating that the CEO and CFO do not make any representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financing reporting, as defined in NI 52-109.

FINANCIAL INSTRUMENTS AND RISKS

The Company is exposed in varying degrees to a variety of financial instruments and related risks. Those risks and management's approach to mitigating those risks are as follows:

(a) Fair Values

Assets and liabilities measured at fair value on a recurring basis were presented on the Company's statement of financial position as at April 30, 2019 and 2018, as follows:

	Fair Value Measurements Using			Balance, April 30, 2019 \$	Balance, April 30, 2018 \$
	Quoted prices in active markets for identical instruments (Level 1) \$	Significant other observable inputs (Level 2) \$	Significant unobservable inputs (Level 3) \$		
Cash	268,051	–	–	268,051	173,267

(b) Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash. The Company limits its exposure of credit loss by placing its cash with high credit quality financial institutions. The carrying amount of financial assets represents the maximum credit exposure.

(c) Foreign Exchange Rate and Interest Rate Risk

The Company is not exposed to any significant foreign exchange rate or interest rate risk.

(d) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company plans on settling its financial obligations out of cash. The ability to do this relies on the Company raising debt and equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. There is no assurance that financing will be available or, if available, that such financing will be on terms acceptable to the Company.

RISKS AND UNCERTAINTIES

The Company believes that the following risks and uncertainties may materially affect its success.

Limited Operating History

The Company has no history of business operations, revenue generation or production history. The Company was incorporated on January 29, 2018 and has yet to generate a profit from its activities. The Company is subject to all of the business risks and uncertainties associated with any new business enterprise, including the risk that it will not achieve its growth objective. The Company anticipates that it may take several years to achieve positive cash flow from operations.

Substantial Capital Requirements and Liquidity

Substantial additional funds for the establishment of the Company's current and planned operations will be required. No assurances can be given that the Company will be able to raise the additional funding that may be required for such activities, should such funding not be fully generated from operations. Environmental rehabilitation or restitution, revenues, taxes, transportation costs, capital expenditures, operating expenses and development costs are all the factors which will have an impact on the amount of additional capital that may be required. To meet such funding requirements, the Company may be required to undertake additional equity financing, which would be dilutive to shareholders. Debt financing, if available, may also involve restrictions on financing and operating activities. There is no assurance that additional financing will be available on terms acceptable to the Company or at all. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations or anticipated expansion and pursue only those development plans that can be funded through cash flows generated from its existing operations.

The proposed business of the Company involves a high degree of risk and there is no assurance that the Company will complete an IPO or identify an appropriate business for acquisition or investment, and even if so identified and warranted, it may not be able to finance such an acquisition or investment. Additional funds may be required to enable the Company to pursue such an initiative and the Company may be unable to obtain such financing on terms which are satisfactory to it, particularly in the current economic environment. Furthermore, there is no assurance that the business will be profitable. Those factors indicate the existence of a material uncertainty that cast significant doubt as to the Company's ability to continue as a going concern. There can be no assurance that the Company's securities will ever be listed for trading on a stock exchange.

Conflicts of Interest

Certain of the directors and officers of the Company will be engaged in, and will continue to engage in, other business activities on their own behalf and on behalf of other companies (including mineral resource companies) and, as a result of these and other activities, such directors and officers of the Company may become subject to conflicts of interest. The British Columbia Business Corporations Act ("BCBCA") provides that in the event that a director has a material interest in a contract or proposed contract or agreement that is material to the issuer, the director must disclose his interest in such contract or agreement and refrain from voting on any matter in respect of such contract or agreement, subject to and in accordance with the BCBCA. To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the BCBCA.

Litigation

The Company and/or its directors may be subject to a variety of civil or other legal proceedings, with or without merit.

OTHER MATTERS

Legal proceedings

The Company is not aware of any legal proceedings.

Contingent liabilities

At the date of report, management was unaware of any outstanding contingent liability relating to the Company's activities.

DIRECTORS

Certain of the directors and officers of the Company will be engaged in, and will continue to engage in, other business activities on their own behalf and on behalf of other companies. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required to act in good faith with a view to the best interests of the Company and to disclose any interest which they may have in any project opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his/her interest and abstain from voting in the matter(s). In determining whether or not the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at the time.

Current Directors of the Company are as follows:

Charalambos Katevatis
Vivian Katsuris
Allan Williams

APPROVAL

The board of Directors of the Company has approved the disclosure contained in this Management Discussion and Analysis. A copy will be provided to anyone who requests it.

On Behalf of the Board of Directors,
"Charalambos Katevatis"
President, CEO and Director

August 28, 2019