KILLI LTD. (formerly, Freckle Ltd.)

DATED: November 24, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS & RESULTS OF OPERATIONS

The following Management's Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited consolidated financial statements of Killi Ltd. (formerly, Freckle Ltd.) ("Killi" or "the Company") and the notes to those statements as at and for the three and nine months ending September 30, 2020. The accompanying consolidated financial statements have been prepared by and are the responsibility of Killi's management. The consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. Dollar amounts are expressed in Canadian dollars unless otherwise noted.

CAUTIONARY STATEMENT ON FORWARD-LOOKING STATEMENTS

The following MD&A contains forward-looking information and forward-looking statements. Except for statements of historical fact that addresses activities, events or developments that the Company believes, expects or anticipates will or may occur in the future, constitutes forward-looking statements. The Company cautions that this MD&A may contain forward-looking statements that involve a number of risks and uncertainties, including statements regarding: the addition of accounts and the conversion of such accounts to users; the growth of the Company's active user base; the Company's strategic partnerships; the Company's growth of revenue generated; the Company's plans to scale its business; the Company's communications with accounts; the introduction of new products and features such as Killi Paycheck; improvements to user experience on the Killi platform; and the outlook for the Company's business and results of operations. Forward-looking statements include those identified by the expressions "will", "may", "should", "continue", "anticipate", "believe", "plan(s)", "estimate", "project", "expect", "intend" and similar expressions to the extent that they relate to the Company or its management. By nature, these risks and uncertainties could cause actual results to differ materially from those indicated. Such risks and uncertainties include, but are not limited to: the Company may not be successful in acquiring data, adding accounts to its platform or converting such accounts to users; the Company's active user base may not grow despite the Company's efforts; the Company may not be able to cultivate strategic partnerships in the future; the Company's revenue may not increase over time; the Company may not be able to scale its business; the Company may not be successful in obtaining opt-in from the accounts; the Company may not introduce any new products or features; the Company may not be able to improve user experience on the Killi platform; the ability of the Company to implement its growth strategy and the uncertainty surrounding the spread of COVID-19 and the impact it will have on the Company's operations and economic activity in general. Forward-looking statements are provided to assist external stakeholders in understanding management's expectations and plans relating to the future as of the date of this MD&A and may not be appropriate for other purposes. Forward-looking statements are made as of the date of this MD&A and Killi disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Readers should not place undue reliance on the Company's forward-looking statements.

OVERVIEW OF THE BUSINESS

Killi is a privacy-compliant identity ecosystem, available both online and as a mobile application on iOS and Android in the United States, Canada, Australia, Singapore and New Zealand. With Killi, companies can purchase first-party compliant data while users are able to take part in a global business that has historically made money from this data without being included in the transaction. Killi aims to educate in a simple and approachable manner, creating a privacy driven community of users and accounts.

On May 29, 2020, the Company finalized a definitive asset purchase agreement with PlaceIQ, Inc. ("PlaceIQ") for the sale of all the assets of the Company's offline attribution and data business for cash consideration of up to US$4,000,000 which allows the Company to focus all of its time and energy on the Killi product.

Killi Product Highlights for Q3 2020

- Introduced a fourth passive earning opportunity for users to add to our Location, Shopping, Profile Rewards:
  - Browsing Rewards - Allows users to opt into sharing their browsing history installing the Killi Ad Blocker for Google Chrome
- Introduced over one hundred new ways for users to redeem their account balances, including Visa gift cards, and charitable donations.
- Added 4.8 million new US accounts in August and an additional 25 million in September.
- Commenced with the second Data Dividend™ with payment being made to users who signed up to our Browsing Rewards.
- Released Uaretheproduct.io, an educational resource, giving people a way to calculate the value of their personal data.
- Average Revenue Per User (ARPU) per month improved by 51% from Q4 2019 to Q3 2020, 429% from Q3 2019 to Q3 2020.
- Cost per Acquisition (CPA) per month increased by 65% from Q4 2019 to Q3 2020, 49% from Q3 2019 to Q3 2020.
- Customer Life Time Value (LTV) increased by 373% from Q4 2019 to Q3 2020 and 130% from Q3 2019 to Q3 2020.

OBJECTIVES AND OUTLOOK

During the quarter, the Company continued with the development of its platform, firstly, by continuing to shift the focus of the income earning opportunities for users from active to passive income rewards, and, secondly, driving scale to its account base. Implementing the Browsing Reward, which is the fourth passive income reward, gives the platform a solid stable of Rewards for users to enroll in, while the addition of 29.8 million accounts should enable the Company to grow its active user base and which also provides revenue growth outside of the active user base. In addition to the User Rewards that are passively paid, the Killi platform continues to provide bonus income opportunities for active user.

The Company anticipates continued accelerated account growth for the coming month through a strategic partnership that commenced in the third quarter, during which the Company added 29.8 million accounts. With this additional scale, the Company can repackage the first-party compliant data set into meaningful segments that will bring in additional revenue streams starting in the fourth quarter. The anticipated ramp-up of revenue will push Killi closer to its goal of redistributing wealth back to everyday citizens.

With the growing account base, Killi, the global leader in data and consumer privacy, is committed to improving its brand awareness and user experience. The Company plans to reach out to each individual account to get a double opt-in, meeting the Company's goal of creating the world's most compliant data set and to allow account holders to sign up for other earning opportunities.

In addition, the Company's financial position was supported by the commencement of early exercise of common share purchase warrants from last quarter's non-brokered private placement. Starting in late September, a total of 300,000 common share purchase warrants were exercised for $15,000 with the Company announcing subsequent to the end of the third quarter that it had received approximately $1.5 million in proceeds from the early exercise of 30 million warrants.

Key goals for Q4 2020

- Introduce the Killi Paycheck - a fully passive, tiered monthly payout. User payouts will depend on the number of Rewards they have signed up to.,
- Continued, accelerated account growth,
- Contacting every account to create a double opt-in account base,
- Increasing the number of account users who sign up for our Rewards to allow them to participate in the sale of their data,
- Improve the Lifetime Value ("LTV") of an active user by continuing with the improvements in user experience and interface,
- Finalize the upgrade of the Company's stock listing in the USA from the "Gray Sheets" to the OTCQB.

Accounts versus Active Users

In addition to individuals signing up directly to the Killi platform the Company acquires data through paid partnerships with third parties. Upon integration of such data into the Company's platform, accounts are created for the first party owners of such data. The Company then contacts each account to notify them and to provide them the opportunity to opt-in to take advantage of the income earning opportunities offered in the Company's ecosystem and in order for them to participate in the sharing of the revenue that the Company is generating. Upon opting-in, the Company recognizes such account as an "active user" that is fully integrated into the Company's ecosystem.

Prior to the account opting-in, the Company monetizes the account by making derivative data products and selling them to various platforms and advertisers.

In the event the account does not opts out then the account will be removed from the Company's platform.

Active users are individuals that have actively created a profile on the Killi platform and agreed to participate in the income earning opportunities offered through the Company's ecosystem and who have become eligible to earn Data Dividends™. Alternatively, as described above, users are added to the ecosystem following an opt-in process.

SUMMARY OF FINANCIAL AND OPERATING RESULTS

Selected Financial Information

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	**2020**	2019
Revenue	**$ 9,686**	$ 2,269	**$ 34,973**	$ 14,198
Cost of Services	**32,860**	-	**40,431**	-
Gross Margin	**(23,174)**	2,269	**(5,458)**	14,198
General and administrative	**253,820**	551,750	**1,315,672**	3,437,312
Research and development	**615,703**	797,445	**1,850,543**	1,988,264
Selling and business development	**157,759**	-	**245,102**	-
Marketing	**175,493**	330,153	**335,943**	1,030,257
Income (loss) from discontinued operations	**(46,939)**	(281,460)	**26,639**	(727,483)
Total comprehensive loss for the year	**$ (1,142,668)**	$ (1,982,866)	**$ (3,764,661)**	$ (7,107,281)

a) Revenue

The Company's strategy is to build a community of consumers who fully and explicitly opt-in to sharing their personal data with brands in exchange for monetary compensation. The following chart shows the breakdown of revenue earned in the various channels for the three and nine months ended September 30, 2020 and 2019:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	**2020**	2019
Revenue from continued operations:				
Data	**$ 9,686**	$ 2,269	**$ 34,973**	$ 14,198
Revenue from discontinued operations:				
Data & Segments	**-**	375,710	**617,179**	783,181
Digital	**-**	205,810	**80,729**	618,481
Search	**-**	182,216	**443,089**	611,605
Social	**-**	93,368	**93,639**	361,750
Out-of-home	**-**	3,350	**-**	56,502
Total revenue from discontinued operations:	**$ -**	$ 860,454	**$ 1,234,636**	$ 2,431,519
Total revenue	**$ 9,686**	$ 862,723	**$ 1,269,609**	$ 2,445,717

The Company's total revenue decreased by 48% for the nine months ended September 30, 2020. This was due to the definitive asset purchase agreement with PlaceIQ.

The Company's revenue from continued operations increased by 193% for the nine months ended September 30, 2020. This was largely due to additional earning opportunities the Company's increased focus on the development of the Killi platform.

The Company's other income is as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	**2020**	2019
Other income				
Gain on sale of Freckle business unit	**$ 83,478**	$ -	**$ 61,834**	$ -
Gain on sale of fixed asset disposal	**-**	-	**79**	-
Interest income	**4,522**	3,006	**7,877**	3,030
Total other income	**$ 88,000**	$ 3,006	**$ 69,790**	$ 3,030

This gain on sale is directly related to the definitive asset purchase agreement with PlaceIQ. Revenue share from the sold book of business has been recognized and is offset by legal expenses directly attributable to the transaction.

Interest income relates to interest earned on funds held as part of the GIC and a deposit account.

b) Cost of Services/Gross Margin

The Company's continued operations cost of services are as follows:

	Three months ended September 30,				Nine months ended September 30,			
		2020		2019		**2020**		2019
Management Platforms	**$**	**32,860**	$	-	**$**	**40,431**	$	-

There are no direct costs associated with collecting location data for data sales. The cost of services for the nine months ended September 30, 2020 included costs associated with running surveys with our strategic partners and generating audience segments for the Profile Rewards. During the nine months ended September 30, 2019, the Company did not comparable costs.

The Company's discontinued operations cost of services are as follows:

	Three months ended September 30,				Nine months ended September 30,			
		2020		2019		**2020**		2019
Location data	**$**	**(47,902)**	$	141,662	**$**	**217,757**	$	444,517
Cross device matching services		**32,851**		77,807		**65,181**		292,823
Point of interest data		**(59,692)**		-		**(18,081)**		-
Other		**15,422**		9,282		**189,747**		24,411
	$	**(59,321)**	$	228,751	**$**	**454,604**	$	761,751

For the nine months ended September 30, 2020 the Company's discontinued operations cost of services has decreased by 40%. The Company was previously supporting PlaceIQ during the transition period but will now be ramping down all cost of services associated with discontinued operations.

Gross margin for continued operations are as follows:

	Three months ended September 30,				Nine months ended September 30,			
		2020		2019		**2020**		2019
Revenue	**$**	**9,686**	$	2,269	**$**	**34,973**	$	14,198
Cost of Services		**32,860**		-		**40,431**		-
Gross Margin	**$**	**(23,174)**	$	2,269	**$**	**(5,458)**	$	14,198
Gross Margin %		**-239%**		100%		**-16%**		100%

For the three months ended September 30, the Company incurred cost of services associated with generating audience segments for the Profile Rewards. Audience segments are sold on large, competitive platforms. The Company has been building relationships with agencies and brands to increase awareness of the Killi CCPA compliant audience segments. There are no costs associated with the third-party market research companies, the cost of services comes from the revenue share with the users.

Gross margin for discontinued operations are as follows:

	Three months ended September 30, 2020	2019	Nine months ended September 30, 2020	2019
Revenue	**$ -**	$ 860,454	**$ 1,234,636**	$ 2,431,519
Cost of Services	**(59,321)**	228,751	**454,604**	761,751
Gross Margin	**$ 59,321**	$ 631,703	**$ 780,032**	$ 1,669,768
Gross Margin %	**0%**	73%	**63%**	69%

Since April 1, 2020, the Company's discontinued operations have stopped generating revenue. The Company has stopped acquiring location data and only contracts that were not transitioned to PlaceIQ remains.

c) General and administrative

The Company's general and administrative expenses for continued operations are broken down as follows:

	Three months ended September 30, 2020	2019	Nine months ended September 30, 2020	2019
Salaries, benefits and recruiting	**$ 97,545**	$ 296,707	**$ 537,289**	$ 650,839
Professional fees	**195,675**	137,675	**528,022**	325,719
Establishments	**5,715**	57,506	**102,999**	149,131
Office and personnel	**(8,821)**	60,213	**205,163**	124,096
Foreign exchange gains/losses	**(45,036)**	(4,704)	**(12,848)**	127,159
Listing Fees	**-**	-	**-**	2,047,427
Other	**13,264**	1,347	**(36,997)**	15,971
	$ 258,342	$ 548,744	**$ 1,323,628**	$ 3,440,342

General and administrative expenses decreased 53% (YTD 2020 – decreased 62%) from Q3 2019 to Q3 2020.

Salaries, benefits and recruiting decreased by 67% (YTD 2020 – decreased 17%) from Q3 2019 to Q3 2020. The increase is largely due to a reduction in staff and funding the Company received from CEWS.

Professional fees have increased 42% (YTD 2020 – 62%) from Q3 2019 to Q3 2020. The increase in due to increased legal fees, capital markets advisors, and hiring a new PR firm.

Establishment expenses decreased 90% (YTD 2020 – decreased 31%) from Q3 2019 to Q3 2020. The decrease in expenses is directly related to terminating the New York Lease and to the Canadian Emergency Commercial Rent Assistance program.

Office and personnel expenses decreased 115% (YTD 2020 – increased 65%) from Q3 2019 to Q3 2020. due to writing off bad debts and accounting for estimated credit losses.

d) Research and development

Research and development costs for continued operations include staffing, and cloud hosting, data processing and storage, and other related costs as follows:

	Three months ended September 30, 2020	2019	Nine months ended September 30, 2020	2019
Salaries, benefits, contractors and recruiting	**$ 321,700**	$ 727,747	**$ 1,464,017**	$ 1,813,106
Cloud hosting, data processing and storage	**271,344**	35,207	**319,960**	89,464
Licenses, dues and subscriptions	**12,915**	25,193	**37,464**	58,150
Other	**9,744**	9,298	**29,102**	27,544
	$ 615,703	$ 797,445	**$ 1,850,543**	$ 1,988,264

Research and development expenses decreased 23% (YTD 2020 – decreased 7%) from Q3 2019 to Q3 2020.

Salaries, benefits, contractors and recruiting decreased 56% (YTD 2020 – decreased 19%) from Q3 2019 to Q3 2020. This is mainly due to having only one product to develop and the Company focusing on reducing outsourced development costs with the shift of focus to only Killi and government funding received from CEWS.

Cloud hosting, data processing and storage increased by 671% (YTD 2020 – 258%) from Q3 2019 to Q3 2020. The Company ingested 29.8 million new accounts and combined the accounts to create a new revenue stream. This resulted in significant increases in data processing fees.

e) Selling and Business Development

The Company's selling and business development expenses for continued operations are broken down as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	**2020**	2019
Salaries, commissions, benefits and contractors	$ **4,868**	$ 578,242	$ **464,008**	$ 1,554,130
Travel, meals and entertainment	-	145,151	**135,595**	376,941
Licensing, dues, subscriptions	-	7,538	**23,396**	27,011
Tradeshows and other promotion	-	5,867	**1,048**	22,091
Other	-	29,793	**15,884**	65,158
	$ **4,868**	$ **766,591**	$ **639,931**	$ **2,045,331**

Salaries, commissions, benefits and contractor expenses include the compensation for the Head of Business Development in Killi as well as contractors advising for business development in Killi.

The comparative information for the same period last year was embedded in cost of services (see Comparatives Figures note).

f) Marketing

The Company includes costs to acquire Killi users, marketing staff, promotional and other marketing costs in marketing costs and are broken down as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	**2020**	2019
Advertising and promotion	$ **11,377**	$ 109,375	$ **38,060**	$ 353,921
User acquisition and retention	**126,024**	156,026	**225,665**	458,404
Salaries, benefits and contractors	**37,810**	62,745	**71,544**	210,340
Other	**282**	2,007	**674**	7,592
	$ **175,493**	$ 330,153	$ **335,943**	$ 1,030,257

Marketing expenses decreased by 47% (YTD 2020 – decreased 67%) from Q3 2019 to Q3 2020.

Salaries decreased by decreased by 40% (YTD 2020 – decreased 66%) from Q3 2019 to Q3 2020. This is mainly due to reduced staff in the marketing department and government funding from CEWS.

User acquisition and retention decreased by 19% (YTD 2020 – decreased 58%) from Q3 2019 to Q3 2020. The Company was able to execute on user scale initiatives through strategic partnerships to have a material increase in account base from which to increase the active user base and begin decreasing any reliance on paid acquisitions.

CASH FLOWS

The Company's cash position was $808,698 on September 30, 2020 compared to $4,157,942 on September 30, 2019.

	Nine months ended September 30,	
	2020	2019
Cash flows used in operating activities before working capital	**$ (3,550,622)**	$ (5,008,988)
Changes in working capital	**1,030,863**	(230,013)
Cash flows used in operating activities	**(2,519,758)**	(5,239,001)
Cash flows from financing activities	**1,070,330**	9,215,918
Cash flows from (used in) investing activities	**(5,585)**	(11,943)
Foreign currency translation difference	**(100,416)**	61,837
Increase (decrease) in cash	**$ (1,555,429)**	$ 4,026,811

Operating activities:

Cash spent on operating activities decreased by 52% when compared to the same period last year. This decrease is largely due to the sale of the Freckle business unit and the listing costs that were incurred in 2019.

ACCOUNTING POLICIES

See Note 3 of the consolidated financial statements for a summary of all significant accounting policies. The new leases standard adopted this year is described in full below.

Leases

Effective January 1, 2019, the Company adopted IFRS 16, which is based on a single lessee accounting model to determine how to recognize, measure, and present leases. A summary of the Company's structure and status of the implementation of IFRS 16 is described below.

Upon entering a lease arrangement, the Company determines whether the agreement transfers the right to control the use of an identified asset within the context of the agreement, in exchange for regular payments.

The Company has elected to use the Modified Retrospective Approach under IFRS 16. Under this approach, the Company may be required to record an opening balance adjustment for leases previously recognized under IAS 17, Leases ("IAS 17") and IFRIC 4, Determining Whether an Arrangement Contains a Lease (IFRIC 4). The Company has also elected to apply the practical expedient to grandfather the assessment of which transactions are leases on the date of initial application, as previously identified under IAS 17 and IFRIC 4. Finally, on transition, the Company has elected to use the practical expedient to not include initial direct costs associated with the lease in calculating the opening right-of-use asset value.

The Company leases office space. In adopting IFRS 16, the Company has elected to use the short-term lease recognition exemption which is applied by class of assets. The Company has also elected to use the low dollar value practical expedient, which unlike the short-term recognition exemption, is applied on an asset-by-asset basis. For those right-of-use assets which Company has taken the election the lease expense has been accounted for on a straight-line basis over the remaining lease term.

The Company has elected to use the short-term lease recognition exemption and the low dollar value practical expedient. As a result, the Company has not recorded a transitional adjustment as all of the Company leases are less than one year.

As the Company elected to adopt the modified retrospective method the comparative information has not been restated and continues to be reported under IAS 17, Leases and related interpretations.

CRITICAL JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The Company's management makes judgments in its process of applying the Company's accounting policies in the preparation of its consolidated financial statements. In addition, the preparation of financial data requires that the Company's management make assumptions and estimates of effects of uncertain future events on the carrying amounts of the Company's assets and liabilities at the end of the reporting period and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

The critical judgments, estimates and assumptions applied in the preparation of the Company's consolidated financial statements are reflected in Note 3e of the Company's audited annual consolidated financial statements for the year ended December 31, 2019.

RISK FACTORS AND UNCERTAINTIES

The Company is focused on expanding its business internally through international expansion, growth with existing customers and scaling Killi to achieve continued growth and profitability. Nevertheless, the Company's future financial outlook will depend on its ability to find and secure financing and to continuously introduce new products and enhancements to its customers. Other additional risks and uncertainties are described below.

a) Evolving Business Model

Killi's business model will continue to evolve. Killi seeks to develop and promote new or complementary solutions and products to expand the breadth and depth of its service offerings. There can be no assurance that Killi will be able to expand its operations in a cost-effective or timely manner or that any such efforts will create, maintain or increase overall market acceptance.

b) History of Net Losses, Future Net Losses, Profitability not Guaranteed

Killi has incurred losses in recent financial periods. Killi may not be able to achieve or maintain profitability and may continue to incur significant losses in the future. In addition, Killi expects to continue to increase operating expenses as it implements initiatives to continue to grow its business. If Killi does not earn sufficient revenues to offset these expected increases in costs and operating expenses, Killi will not be profitable. There is no assurance that future revenues will be sufficient to generate the funds required to continue operations without external funding.

c) Future Capital Needs

Killi may need to raise funds through public or private financing in the event that Killi incurs operating losses or requires substantial capital investment or in order for Killi to respond to unanticipated competitive pressures or to take advantage of unanticipated opportunities. There can be no assurances that additional financing will be available on terms favourable to Killi or at all. Killi faces risks frequently encountered by early-stage entities. In particular, its growth and prospects depend on its ability to expand its operation and grow its revenue streams whilst at the same time maintaining effective cost controls. Any failure to expand is likely to have a material adverse effect on Killi's business, financial condition and results.

d) Limited Operating History

Killi became a public company in June 2019 and has a limited operating history as a public company. This lack of operating history may make it difficult for investors to evaluate Killi's prospects for success and there is no guarantee that Killi's business model will achieve its strategic objectives. There is no assurance that Killi will be successful and the likelihood of success must be considered in light of its relatively early stage of operation.

Killi is therefore subject to many of the risks common to early-stage enterprises, including undercapitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues. There is no assurance that Killi will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations.

e) Limited Operating History

This lack of operating history, in addition to operating in a relatively new and rapidly evolving industry, may make it difficult for investors to evaluate Killi's prospects for success and there is no guarantee that Killi's business model will achieve its strategic objectives.

f) Foreign Exchange Exposure

Killi continues to seek expanding its operations into the US and international markets. Fluctuations in the currency exchange rate may affect the revenue and operations of Killi. The potential effect of the currency exchange rate fluctuations will be magnified as the percentage of sales foreign markets grows.

g) Jurisdictional Risks

Killi is exposed to risks of changes in government policies, laws, and regulations in the countries in which it may operate or do business. Any changes in regulations or political conditions may adversely affect Killi's business. Killi's operations may be affected by government regulations, including those with respect to privacy laws and the use of personal data. In the event of a dispute arising from Killi's foreign operations, Killi may be subject to the jurisdiction of foreign courts or may not be successful in subjecting foreign companies or individuals to the jurisdiction of Canada.

h) Allegations of Intellectual Property Infringement

If Killi's products, services, or solutions employ subject matter that is claimed under its competitors' intellectual property ("**IP**"), those companies may bring infringement actions or other IP claims against Killi.

Infringement and other IP claims can be expensive, and the result of any litigation is uncertain. Killi may not have the resources to defend against any infringement or IP claims. As the result of any court judgment or settlement, Killi may be forced to alter its business or discontinue certain products.

i) Misappropriation of Killi's IP

Protection of Killi's IP is important to its success. Killi currently protects its IP rights by registering its trademarks and has taken steps to patent certain inventions. These precautions may not be sufficient to prevent the misappropriation of Killi's IP or deter independent development of similar products and services by competitors of Killi.

Litigation may be necessary to enforce Killi's IP rights. IP litigation, regardless of the outcome, could result in substantial costs, adverse publicity or diversion of management and technical resources, any of which could adversely affect Killi's business. Moreover, due to the differences in foreign IP laws, Killi's IP may not receive the same degree of protection in foreign countries as it would in Canada or the United States. Killi's failure to maintain adequate protection of its IP rights for any reason could have a material adverse effect on its business.

j) Failure to Protect Platform

Any failure to protect Killi or Killi's platforms could harm its business and competitive position. There can be no assurance that any steps Killi has taken or intends to take will be adequate to defend and prevent misappropriation of technology, including the possibility of reverse engineering and the possibility that potential competitors will independently develop technologies that are designed around and are substantially equivalent or superior to Killi's technology.

k) Market Price Fluctuation

The market price of shares of Killi may be subject to wide fluctuations in response to many factors, including variations in the operating results of Killi and its subsidiaries, divergence in financial results from market expectations, changes in earnings estimates by stock market analysts, changes in the business prospects for Killi and its subsidiaries, general economic conditions, legislative changes, and other events and factors outside of Killi's control. In addition, stock markets have from time to time experienced extreme price and volume fluctuations, which, as well as general economic and political conditions, could adversely affect the market price for shares of Killi.

l) Privacy Regulations

In addition, there are a number of federal and provincial laws protecting the confidentiality of personal information and restricting the use and disclosure of that protected information. In particular, the privacy rules under the *Personal Information Protection and Electronics Documents Act* (Canada) ("**PIPEDA**"), protect personal information by limiting their use and disclosure of personal information. If Killi was found to be in violation of the privacy or security rules under PIPEDA or other laws protecting the confidentiality of personal information, it could be subject to sanctions and civil or criminal penalties, which could increase its liabilities, harm its reputation and have a material adverse effect on the business, results of operations and financial condition of Killi.

Killi is s also subject to the state data protection law, **CCPA**. If Killi is found to be in violation of the CCPA it could face fines of up to $7,500 for each intentional violation and $2,500 for each unintentional violation. Private rights of action may, which can be asserted on a class action basis, may also be allowed for violations of the CCPA.

If and when Killi expands to the European Union it will also be subject to the European Union data protection law, GDPR. If Killi was found to be in violation of GDPR it could face fines of up to €20 million or up to 4% of its annual global revenues, whichever is greater.

m) Cybersecurity

Killi collects and stores sensitive data, proprietary business information as well as personally identifiable information of its customers and employees in data centers and on information technology networks. The secure operation of these networks and systems is critical to Killi's business operations and strategy. Despite Killi's efforts to protect sensitive, confidential or personal data or information, Killi may be vulnerable to security breaches, theft, misplaced or lost data, programming errors, employee errors and/or misconduct that could potentially lead to the compromising of sensitive, confidential or personal data or information, improper use of our systems, unauthorized access, use, disclosure, modification or destruction of information, production downtimes and operational disruptions. In addition, a cyber-related attack could result in other negative consequences, including damage to Killi's reputation or competitiveness, remediation or increased protection costs, litigation or regulatory action.

n) Errors or Defects in Software

Due to the complexity and sophistication of Killi's software, from time to time, it may contain defects, security vulnerabilities, software "bugs" or failures that are difficult to detect, control and correct. Killi may be unable to successfully correct such errors or defects in a timely manner or at all, which could result in lost revenue, significant expenditures of capital, delay or loss in market acceptance or damage to Killi's brand. Moreover, the consequences of such errors and defects could have a material adverse effect on Killi's business, growth, financial condition and result of operations.

o) Dependence on Strategic Relationships with Third Parties

Killi anticipates that the growth of its business will continue to depend on third-party relationships, including, but not limited to, relationships with vendors of location data and suppliers of computer hardware and software.

p) Failure to Add New Users

The size of the user base of Killi is critical to Killi's success. Killi's financial performance has been and will continue to be significantly determined by Killi's success in adding, retaining, and engaging active users of its products. If people do not perceive Killi's products to be useful, reliable, and trustworthy, Killi may not be able to attract or retain users or otherwise maintain or increase the frequency and duration of their engagement. If Killi is unable to increase or maintain its user base and user engagement, Killi's revenue and financial results may be adversely affected. Any decrease in user retention, growth, or engagement could render Killi's products less attractive to users and marketers, which is likely to have a material and adverse impact on Killi's revenue, business, financial condition, and results of operations.

q) Reliance on Key Customers

Historically, a majority of Killi's sales have been to a relatively small number of customers for a significant portion of its revenue. While Killi does expect that this reliance will decrease over time, Killi will continue to rely on this relatively small number of customers for the foreseeable future. Killi must add new customers to sustain or increase its existing revenue. Despite Killi's efforts and investments in business development, sales, and market, it may not be successful in attracting new customers. If Killi fails to do grow its current customer, it will be difficult for Killi to sustain and grow its revenue.

r) Need to Manage Growth

The growth of Killi's business and its products and services cause significant demands on Killi's managerial, operational and financial resources. Demands on Killi's financial resources will grow rapidly with Killi's expanding customer base. Additional working capital may be required and there are no assurances that access to the capital required for the future growth and expansion plans will be available.

Killi may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of Killi to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of Killi to deal with this growth may have a material adverse effect on Killi's business, financial condition, results of operations and prospects.

s) Limited Market for Securities

An active trading market for securities of Killi may not develop or be sustained going forward. The lack of an active market may impair an investor's ability to sell their securities of Killi at the time they wish to sell them or at a price that they consider reasonable. The lack of an active market may also reduce the fair market value of an investor's securities of Killi. Further, an inactive market may also impair Killi's ability to raise capital by selling securities of Killi and may impair its ability to enter into collaborations or acquire companies or products by using securities of Killi as consideration. The market price of securities of Killi may be volatile, and an investor could lose all or part of their investment. There can be no assurance that an active trading market for the securities of Killi will be sustained.

t) Significant Holdings by Limited Number of Existing Shareholders

Killi's management and directors own a substantial number of Killi's outstanding common shares (on a fully diluted basis). As such, Killi's management and directors are in a position to exercise significant influence over matters requiring shareholder approval, including the election of directors and the determination of significant corporate actions. As well, these shareholders could delay or prevent a change in control of Killi that could otherwise be beneficial to Killi's shareholders.

u) Dependency on Key Personnel

Killi’s success depends upon the continued service of its senior management team. Killi employees may voluntarily terminate their employment with Killi at any time. The loss of services of key personnel could have a material adverse effect upon Killi’s business, financial condition and results of operation.

v) COVID-19 Outbreak

As of the date of issuance of these interim condensed consolidated financial statements, the Company's operations have not been significantly impacted; however, the Company continues to monitor the situation. Due to the significant uncertainty surrounding the pandemic, management’s judgment regarding this could change in the future. There are material uncertainties related to the full effects of COVID-19 on the Company’s business and operations, particularly, on the timing and collections of accounts receivable.

w) Failure to Add New Accounts

The data purchased by Killi to create accounts is a critical element to Killi’s success. Killi’s financial performance will be significantly impacted by Killi’s success in continuing to access such data and adding accounts and obtaining such account’s opt-in to the Killi ecosystem, which allows Killi to build comprehensive data sets to sell to its customers. If accounts do not perceive Killi’s platform to be useful, reliable, and trustworthy, Killi may not be able to obtain the requisite opt-in or otherwise maintain or increase the value of its data sets. If Killi is unable to increase its accounts, Killi’s revenue and financial results may be adversely affected as customers may not purchase Killi’s data sets. Any decrease in accounts could render Killi’s products less attractive to its customers, which is likely to have a material and adverse impact on Killi’s revenue, business, financial condition, and results of operations.

SHARE CAPITAL

The company had the following outstanding:

	As at September 30, 2020	As at December 31, 2019
Common shares	**259,321,909**	216,521,909
Warrants	**51,508,100**	14,708,377
Stock Options	**9,410,517**	7,819,850

As of September 30, 2020, the Company had 259,321,909 shares, 51,508,100 warrants and 9,410,516 stock options of which 4,502,517 were exercisable. 500,000 stock options and 300,000 warrants were exercised in the quarter.

FINANCIAL INSTRUMENTS AND FINANCIAL RISKS

The Company has exposure to counterparty credit risk, liquidity risk and market risk associated with its financial assets and liabilities. The Company’s risk management program seeks to minimize potential adverse effects on the Company’s financial performance and ultimately shareholder value. The Company manages its risks and risk exposures through a combination of insurance, a system of internal controls and sound business practices.

The Company's financial instruments and the nature of the risks which they may be subject to are set out in the following table.

	Risks			
			Market	
	Credit	Liquidity	Foreign Exchange	Interest Rate
Cash and cash equivalents	Yes		Yes	
Trade receivables	Yes		Yes	
Other receivables	Yes		Yes	
Trade and other liabilities		Yes	Yes	
Loan Payable		Yes		Yes

The carrying values of cash and cash equivalents, trade receivables, other receivables, trade and other liabilities and loan payable approximate their fair values due to their relatively short periods to maturity.

Credit risk

Credit risk arises from cash held with banks and trade receivables and these financial assets are subject to the expected credit loss model. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The objective of managing counterparty credit risk is to prevent losses on financial assets. The Company minimizes the credit risk of cash by depositing with only reputable financial institutions and minimizes the credit risk of trade receivables by monitoring the counterparty's creditworthiness and setting exposure limits.

Trade accounts receivables

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past the transaction date. The expected loss rates are based on the payment profiles of sale over a period of 24 months before June 30, 2020. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the credit worthiness for current and future customers and the GDP and unemployment rate of the countries in which the Company sells goods into to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at September 30, 2020, and December 31, 2019 was determined as follows for trade receivables:

Trade receivables are the result of billings of services performed. The Company's credit risk arises from the possibility that a counterparty which owes the Company money is unable or unwilling to meet its obligations in accordance with the terms and conditions in the contracts with the Company, which would result in a financial loss for the Company.

The carrying amount of trade receivables are reduced through the use of an allowance for credit loss and the amount is recognized in the consolidated statement of loss and comprehensive loss in general and administrative expenses. The Company closely monitors all receivable balances, when a balance is over 180 days past the transaction date the Company evaluates whether this balance is uncollectible. It is determined to be uncollectible when the customer has ceased communications for greater than 90 days or has communicated non-payment due to liquidity issues and the Company does not believe other recourses would be financially beneficial and there is no reasonable expectation of recovery. When a receivable balance is considered uncollectible, it is written off against the allowance for credit loss. Subsequent recoveries of amounts previously written off reduce general and administrative expenses in the unaudited condensed consolidated interim statements of loss and comprehensive loss. As of September 30, 2020, it was determined that an allowance for credit loss of $7,442 (2019 – 35,163) was required and wrote off uncollectible balances of $141,928 (2019 – $22,511).

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 manages liquidity risk by continuously monitoring forecasts and actual cash flows and taking the necessary actions to maintain enough liquidity for operations and for growth objectives.

The following table details the Company's contractual maturities (including interest payments where applicable) for its financial liabilities as at September 30, 2020 and December 31, 2019:

	Not later than one month	Later than one month and not later than three months	Later than three months and not later than one year	Later than one year and not later than five years	Total
As at September 30, 2020					
Trade and other liabilities	**$ 1,098,234**	**-**	**-**	**-**	**$1,098,234**
Loan Payable	**$ 3,136**	**6,272**	**18,671**	**36,623**	**$ 64,702**
	$ 1,101,370	**$ 6,272**	**$ 18,671**	**$ 36,623**	**1,162,936**
As at December 31, 2019					
Trade and other liabilities	$ 1,309,726	-	-	-	$1,309,726
Loan Payable	747	1,495	6,726	43,348	$ 52,316
	$ 1,310,473	$ 1,495	$ 6,726	$ 43,348	$1,309,726

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates will affect the fair value of a financial instrument or its future cash flows.

The Company operates internationally with a subsidiary in the United States. The Company is, therefore, subject to foreign currency risk. The Company reports its financial results in Canadian dollars. Most of the Company's revenues are transacted in U.S. currency. The Company incurs expenses in both Canadian and U.S. dollars. To date, the Company has not used foreign currency forward contracts or other hedging strategies to manage its foreign currency exposure.

As at September 30, 2020, the Canadian entities US-dollar net monetary liabilities totaled approximately US $197,924 (CAD $261,814) (December 31, 2019, net monetary assets – US $264,163 (CAD $343,095) and the Company's United States subsidiaries US-dollar monetary net liabilities totaled approximately US $45,671 (CAD $60,415) (2019 – US $82,932 (CAD $107,712)). A 10% strengthening in the Canadian dollar against the United States dollar as at September 30, 2020 would have decreased comprehensive loss and decreased shareholder's equity by $61,391 (2019 - $23,538). A 10% weakening would have had the equal but opposite effect. This analysis assumes that all other variables remain constant.

Capital management

The Company's objective in managing capital is to ensure sufficient liquidity to develop technology, engage in sales and marketing activities, while at the same time taking a conservative approach toward financial leverage and management of financial risk. In previous years, the Company's capital is composed entirely of debt from the CEO and Founder's related company. The loans have been converted to common shares. During the previous year and this year to date, the Company actively sought external financing through private placements to help manage working capital requirements and prepare the Company for a go public transaction. In the upcoming years the Company will utilize the capital markets as well as earnings to manage its capital obligations.

The Company's objectives when managing capital are to ensure that the Company will continue to have enough liquidity to fund operations and proceed with rapid product development that will support the evolving data driven industries.

CONTRACTUAL OBLIGATIONS

The company has non-cancellable contracts for rent and cost of services, the commitments are as follows:

	As at September 30, 2020
Less than one year	$ 231,370
Between one and five years	-

OFF BALANCE SHEET ARRANGEMENTS

The company does not have any off-balance sheet arrangements.

RELATED PARTY DEMAND LOAN AND KEY MANAGEMENT COMPENSATION

The CEO and Founder has previously provided funding in the form of convertible demand loans, in the nine months ended September 30, 2020 the funding provided was nil (nine months ended September 30, 2019 - $624,087). On February 28, 2019 $8,225,383 was converted to common shares at a rate of $0.20 and $624,087 was converted at the same rate on April 22, 2019.

Included in salaries, benefits and recruiting within general and administrative expenses on the statement of loss and comprehensive loss are the amounts of $3,300 for the three months ended September 30, 2020 and $9,900 for the nine months ended September 30, 2020 (three months ended September 30, 2019 - $3,300, nine months ended September 30, 2019 - $9,900) earned by an individual related to the same officer of the Company.

Compensation for key management personnel, including the Company's officers and directors, was as follows for the period:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	**2020**	2019
Salaries and benefits	**$ 138,987**	$ 473,227	**$ 366,474**	$ 1,156,268
Stock based compensation	**19,682**	35,986	**42,243**	115,101
Board fees and related stock based compensation	**13,956**	-	**14,341**	-
Total key management compensation	**$ 172,625**	$ 509,213	**$ 423,058**	$ 1,271,369

COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the presentation adopted in the current period. Business development salaries, benefits and other employee related expenses in the amount of nil for the three months ended September 30, 2019, and $185,011 for the nine months ended September 30, 2019, previously included in cost of services were reclassified to selling and business development on the statement of loss and comprehensive loss as these costs are not directly linked to current period sales.

SUBSEQUENT EVENT

On October 29, 2020, the Company announced that holders of certain common share purchase warrants have exercised and purchased 30 million common shares adding $1.5 million to the Company's treasury. This includes the 300,000 common share purchase warrants that were exercised in the quarter.

MANAGEMENT'S STATEMENT OF RESPONSIBILITY

The accompanying consolidated financial statements of Killi Ltd. and all information contained herein are the responsibility of management and have been approved by the Board of Directors. The consolidated financial statements include some amounts that are based on management's best estimates that have been made using careful judgement. The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards. Financial and operating data elsewhere in the report are consistent with the information contained in the consolidated financial statements. Although no cost-effective system of internal controls will prevent or detect all errors and irregularities, these systems are designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use, transactions are properly recorded, and the financial records are reliable for preparing consolidated financial statements.