FRECKLE LTD. (formerly Knol Resources Corp.)

DATED: May 27, 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 Freckle Ltd. (formerly Knol Resources Corp.) ("Freckle" or "the Company") and the notes to those statements as at and for the quarter ending March 31, 2020. The accompanying consolidated financial statements have been prepared by and are the responsibility of Freckle'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 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. 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 Freckle 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

Freckle offers tools to both advertisers and consumers to fill gaps via two core products;

- Killi; a privacy-compliant identity ecosystem, currently comprised of a mobile application available on iOS and Android in the United States, Canada, Australia, Singapore and New Zealand that allows consumers more control and visibility regarding how their data is collected and compensating them for its use, while also providing advertisers and brands a compliant data source and,

- Freckle; which allows advertisers and brands to measure the effectiveness of the media they have in the market in driving a consumer to the desired location, as well as providing audience data for targeting in platforms.

Through a consumer-facing mobile application called Killi, Freckle is building a community of consumers who fully and explicitly opt-in to sharing their personal data with brands in exchange for monetary compensation. Killi's users are a community of engaged consumers who consciously take part in a global business that has historically made money from this data without including them in that transaction.

On April 7, 2020, the Company announced that its wholly owned subsidiary, Freckle, has entered into a definitive asset purchase agreement with PlaceIQ, Inc. ("PlaceIQ") for the sale of all the assets of Freckle's offline attribution and data business for cash consideration of up to US$4,000,000. This will allow the company to focus all its time and energy on Killi.

Killi Product Highlights for Q1 2020

- Launched the Killi application in New Zealand, which allows the Company to utilize our existing integrations to generate new recurring revenue,
- Introduced the first passive earning opportunity for users via the Location Dividend allowing users who opted into sharing their location data to be compensated.
- Killi web was launched, increasing the scope of our existing addressable users allowing them to access Killi both via application and web.
- Average Revenue Per User (ARPU) per month improved by 115% from Q4 2019 to Q1 2020, 1,630% from Q1 2019 to Q1 2020.
- Cost per Acquisition (CPA) per month increased by 52% from Q4 2019 to Q1 2020, 61% from Q1 2019 to Q1 2020.
- Customer Life Time Value moved into a positive cash position for the first time at $0.38 at the end of Q1 showing an increase of 446% from Q4 2019 to Q1 2020 and 161% from Q1 2019 to Q1 2020.

Freckle Product Highlights for Q1 2020

- Revenue is up 49% compared to Q1 2019.
- For the three months ended March 31, 2020, recurring revenue increased to 64% of total revenue compared to 60% for the same period in 2019.
- A successful focus on the USA market lead to a 97% of 2020 Q1 revenue being generated in the US, compared to 81% in the same quarter of 2019,

OBJECTIVES AND OUTLOOK

The Company has continued with its focus on individual user economics within the Killi ecosystem. In particular we have focused on improving the revenue earned by the consumer on a monthly basis (ARPU) as well as improving sustainability metrics. While we believe that focusing on individual user economics and a more disciplined approach to growing the user base is a better use of capital the Company is now increasing its focus on scale and brand awareness now that we have established an estimated pathway to cashflow positive economics.

In the immediate term, the team continues with its focus on reducing the disparity between the cost of acquiring a new user (CPA) and the lifetime value (LTV) of a user. By closing the CPA vs LTV disparity Killi becomes closer to a cash flow positive position from which it will then look to scale the application using traditional engines such as Google, Facebook, Twitter, and others. In addition to the traditional paid media channels, Killi is actively seeking opportunities and strategic partnerships that will greatly increase scale at a fraction of the cost.

The Company will also continue with its transformation into a leading identity control platform with the introduction of multiple passive dividend modules. This will provide the user with numerous options on the data that they choose to share thereby giving the user more control over their identity. The Company will continue to enhance and optimize the active revenue modules as well but the focus will continue to be on adding passive earning opportunities for the user. The optimizations to the active revenue modules can be seen in the improved ARPU results in Q1 2020. We also continue to evaluate the opportunities for market expansion around the world and will revisit this once we have executed on economics and scaling initiatives.

Key goals for Q2 2020

- Introduce multiple passive dividend modules for consumers to allow them to be compensated for their data passively vs having to engage solely in surveys and videos, including:
    - Audience Dividend – Allows users to opt into sharing their seed data via the major data buying platforms;
    - Financial Dividend – Enables users to be link various accounts to provide their purchase data; and,
    - Social Dividend – Allows users to share their data profiles from social platforms.
- Introduce a user referral program to customers to allow them to socially share the product,
- Increase the ARPU of Killi customers further reducing the disparity between CPA and LTV,
- Increase by double digits survey conversion rates for users inside of Killi, leading to improved retention and ARPU, and,
- Increase the user base by improving organic acquisitions and continue with exploring partnerships to improve user acquisition.

SUMMARY OF FINANCIAL AND OPERATING RESULTS

Selected Financial Information

	Three months ended March 31,	
	2020	2019
Revenue	**$ 15,035**	$ 2,923
Cost of Services	**5,549**	-
Gross Margin	**9,486**	2,923
General and administrative	**615,935**	355,535
Research and development	**717,989**	555,359
Selling and business development	**107,473**	-
Marketing	**93,663**	300,391
Income (loss) from discontinued operations	**452,528**	(38,076)
Total comprehensive loss for the year	**$ (1,355,068)**	$ (1,207,615)

a) Revenue

The Company receives revenue from advertising agencies, brands, media platforms and other data companies for providing data, measurement and reporting to its customers. The following chart shows the breakdown of revenue by advertising channel and data provided for the period:

	Three months ended March 31	
	2020	2019
Revenue from continued operations:		
Data	**$ 15,035**	$ 2,923
Revenue from discontinued operations:		
Data & Segments	**608,053**	145,792
Digital	**80,729**	202,201
Search	**443,088**	251,191
Social	**93,639**	208,084
Out-of-home	**-**	17,188
Total revenue from discontinued operations	**1,225,509**	824,456
Total revenue	**$ 1,240,545**	**$ 827,379**

The Company's total revenue increased 50% from the same period last year. This was due to an unprecedently strong first quarter. Historically first quarter sales are slower as it ramps up through to the year. From the Company's continued operations, the revenue increased 414% from the same period last year. This was due to onboarding new strategic partnerships and streams of revenue.

For the Company's continued operations:

Data revenue is currently split between two distinct revenue streams. The first is data sales where the Company captures the Killi user's consented location data and sells it to clients. This data can be used by the clients to make media allocation decisions. The second revenue stream is survey revenue where the Killi user participates in a market research panel and is compensated for answering questions within the app.

For the Company’s discontinued operations:

Recurring revenue is defined as an agency and/or brand that has worked with us for at least three months within the year. The transition to recurring revenue is important as it provides stability and predictability to the Company’s top-line. It also provides insight into which products are resonating well in the market and where Freckle should focus. For the three months ended March 31, 2020, recurring revenue increased to 64% of total revenue compared to 60% for the same period in 2019. This can be attributed to signing larger up-front deals for both multi-product offerings and large, always-on, data sets. The Company’s goal is to maintain the current proportion of recurring revenue.

Data & Segments allow the Company to repurpose the data collected from its measurement product to customers for audience targeting. This data is transmitted either via a daily feed or via a one-time data transfer. This data is used by customers to advertise or make media allocation decisions. For the three months March 31 2020, this revenue stream increased 317% when compared to the same period last year. This is due to the onboarding of new clients.

Digital offline attribution allows advertisers to measure how effective digital advertising was at driving consumers to a specific location. Revenue decreased 60% when compared to the same period last year. The decrease is mostly due to the company moving away from ‘pixel based’ offline measurement, an operational onerous product, to ‘visit feed’ measurement as well as a decision of the Company to focus on higher-margin, more efficient channels such as data segments and search. The results can be seen in the improvement of recurring revenue while still growing overall topline revenue.

Search allows advertisers to both measure and target users in the Google platform, through an automated data feed. Revenue increased 76% year over year due to existing customers increasing their services and onboarding new customers as well as a more robust integration into the Google platform.

Social allows advertisers to both target certain consumers and measure offline attribution in social networking platforms including an automated process with Facebook. This revenue decreased 55% when compared to the same period last year. The increase is largely due to refocusing the Company’s resources on Data & Segments.

For the Out-of-Home (OOH) product Freckle measures when an individual was exposed to an outdoor advertisement and then visited a location This revenue stream has no revenue in the three months ended March 31, 2020. The decrease period over period is due to OOH not being a core focus for the Company due to its transactional nature and manual internal support.

The Company also measures its revenue geographically. The following chart shows the breakdown of revenues from Canada, and the U.S..

	Three months ended March 31	
	2020	2019
Revenue from continued operations:		
US	**$ 15,035**	$ 2,923
Revenue from discontinued operations:		
US	**1,191,814**	672,864
Canada	**33,695**	151,592
Total revenue from discontinued operations	**1,225,509**	824,456
Total revenue	**$ 1,240,545**	$ 827,379

Revenue generated from U.S. clients in the three months ended March 31, 2020 was 79% higher than the same period last year. As the U.S. is a larger market, with larger advertising budgets, the Company has focused its efforts on growing this market. The Canadian market has been deprioritized due to size and immaturity of the market. The result of this is a decrease of 78% compared with the same period last year. This has been offset by strong growth in the U.S. market.

b) Cost of Services/Gross Margin

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

	Three months ended March 31	
	2020	2019
Management Platforms	**$ 5,549**	$ -

There are no direct costs associated with collecting location data for data sales. The cost of services for the three months ended March 31, 2020 included costs associated with running surveys with our strategic partners. During the three months ended March 31, 2019, the Company did not have the strategic partnerships with the market research companies to allow the Killi users to take part in the panels.

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

	Three months ended March 31	
	2020	2019
Location data	**$ 155,576**	$ 162,266
Cross device matching services	**167,998**	73,146
Point of interest data	**17,400**	-
Other	**13,496**	85,582
	$ 354,469	$ 320,994

Cross device matching services increased 130% compared to the same period last year due to onboarding new partners that allow Freckle to upload more data to more platforms. For point of Interest Data the Company engaged with a partner to provide a one-time total data set for Canada and United States rather than purchasing on an as needed basis. For the three months ended March 31, 2019, the other category consisted of business development salaries (see section (e)) which are now split out and taken out of cost of services.

	Three months ended March 31	
	2020	2019
Revenue	**$ 1,240,545**	$ 827,379
Cost of Services	**360,018**	320,994
Gross Margin	**$ 880,527**	$ 506,385
Gross Margin %	**71%**	61%

Gross margin has improved by 10% compared to the same period last year. As the Company requires a certain level of location data to provide meaningful reporting, the Company will gain economies of scale as revenue grows. With the unprecedented high growth first quarter, many of the fixed costs of services Freckle incurred resulted in a better gross margin.

c) General and administrative

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

	Three months ended March 31	
	2020	2019
Salaries, benefits and recruiting	**$ 268,078**	$ 160,500
Professional fees	**185,887**	84,343
Establishments	**57,654**	34,384
Office and personnel	**97,213**	33,978
Foreign exchange (gains)/losses	**827**	38,466
Other	**8,323**	3,864
Interest income	**(2,047)**	-
	$ 615,935	$ 355,535

Salaries, benefits and recruiting increased 67% in the same time period last year. The increase is largely due to the hiring of additional staff, including a full time CFO.

Professional fees have increased 120% in the same period last year. The increase in due to increased legal fees, capital markets advisors, and hiring a new PR firm.

Establishment expenses increased 68% compared to the same period last year due to an increase in rent in both Toronto and New York for additional space.

Office and personnel expenses increased 186% compared to the same period last year due to writing off bad debts and accounting for estimated credit losses.

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

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

	Three months ended March 31	
	2020	2019
Foreign exchange (gains)/losses	**$ (307,907)**	**$ -**

Foreign exchange gains/losses increased by 693% for the company due to the current economic conditions and United States dollar (USD) strengthening when compared to the Canadian dollar.

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 March 31	
	2020	2019
Salaries, benefits, contractors and recruiting	**$ 673,734**	$ 507,037
Cloud hosting, data processing and storage	**23,421**	24,759
Licenses, dues and subscriptions	**12,929**	-
Other	**7,905**	23,563
	$ 717,989	$ 555,359

Research and development expenses increased 29% overall from the three months ended March 31, 2020 to the same period last year.

Salaries, benefits, contractors and recruiting ("staffing") increased by 33% when compared to the same period last year. This is mainly attributed back to hiring more full time staff, including Killi's Engineering Team Lead, while continuing to increase staff retention. Hiring full time staff also incurred recruiting fees and increased benefit costs. Killi also increased outsourced development costs that resulted in increased throughput for the Company.

Cloud hosting, data processing and storage decreased by 5%. While previously not a focus, it was an internal initiative for the Company to make processes more efficient and decrease cloud hosting costs. Most of the savings were offset by increased usage.

Research and development costs for discontinued operations are as follows:

	Three months ended March 31	
	2020	2019
Cloud hosting, data processing and storage	**$ 123,028**	$ 119,175

For the Company's discontinued operations, cloud hosting, data processing and storage increased by 3%. The Company's cost saving initiative was also effective here. The savings were offset by increased usage as well as one-time archiving costs.

e) Selling and Business Development

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

	Three months ended March 31	
	2020	2019
Salaries, commissions, benefits and contractors	**$ 102,624**	$ -
Travel, meals and entertainment	**4,850**	-
	$ 107,473	**$ -**

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 peroid last year was embedded in cost of services (see Compairatives Figures note).

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

	Three months ended March 31	
	2020	2019
Salaries, commissions, benefits and contractors	**$ 451,724**	$ 320,276
Travel, meals and entertainment	**135,118**	81,366
Licensing, dues, subscriptions	**12,392**	-
Tradeshows and other promotion	**1,048**	-
Other	**3,110**	20,720
	$ 603,392	**$ 422,362**

Selling and business development expenses increased 43% when compared to the same period last year.

Staffing costs have increased 41% when compared to the same period last year largely due to increased commission from increased revenue.

f) Marketing

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

	Three months ended March 31	
	2020	2019
Advertising and promotion	**$ 17,317**	$ 117,281
User acquisition and retention	**59,312**	117,050
Salaries, benefits and contractors	**17,035**	63,845
Other		2,215
	$ 93,664	$ 300,391

Marketing expenses decreased 69% overall when compared to the same period last year.

Salaries decreased by 73% when compared to the same period last year. This is mainly due to reduced staff in the marketing department.

User acquisition and retention decreased by 49% when compared to the same period last year. Although overall costs have decreased, the Company was experimenting with new strategies through paid acquisitions channels. New strategies incur significant learning costs as the third-party paid acquisition channels become more efficient over time. This when combined with a strengthening USD, the CPA increased significantly.

During 2020, Killi was focusing on transitioning to Single Sign On ("SSO") and during this time the Company reduced spend on user acquisition and retention by 49%.

SELECT QUARTERLY RESULTS

	2020	2019				2018			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	**1,240,545**	**1,009,965**	**862,723**	**755,615**	**827,379**	**862,015**	**835,103**	**941,835**	**469,091**
Cost of services	360,018	421,990	228,751	288,710	244,290	287,651	228,070	271,400	219,885
Gross profit	880,527	587,975	633,972	466,905	583,089	574,364	607,033	670,435	193,023
Total Operating and Other	1,953,572	2,474,007	2,592,512	4,431,046	1,829,526	1,626,913	2,106,448	2,143,354	1,657,349
Net Loss	**(1,073,045)**	**(1,886,032)**	**(1,958,540)**	**(3,964,141)**	**(1,246,437)**	**(1,052,549)**	**(1,499,415)**	**(1,472,919)**	**(1,408,143)**

CASH FLOWS

The Company's cash position was $793,102 March 31, 2020 compared to $1,098,472 March 31, 2019.

	Three months ended March 31,	
	2020	2019
Cash flows used in operating activities before working capital	**$ (1,044,228)**	$ (1,190,466)
Changes in working capital	**(237,475)**	237,259
Cash flows used in operating activities	**(1,281,703)**	(953,207)
Cash flows from financing activities	**(2,986)**	1,557,471
Cash flows from (used in) investing activities	**(4,311)**	-
Foreign currency translation difference	**(282,023)**	38,823
Increase in cash	**$ (1,571,025)**	$ 643,086

Operating activities:

Cash spent on operating activities increased 34% when compared to the same period last year. This is largely due to increased research and development expenses with a focus on building out the Killi app and revenue not yet growing at the pace of expenses.

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

Freckle's business model will continue to evolve. Freckle 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 Freckle 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

Freckle has incurred losses in recent financial periods. Freckle may not be able to achieve or maintain profitability and may continue to incur significant losses in the future. In addition, Freckle expects to continue to increase operating expenses as it implements initiatives to continue to grow its business. If Freckle does not earn sufficient revenues to offset these expected increases in costs and operating expenses, Freckle 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

Freckle may need to raise funds through public or private financing in the event that Freckle incurs operating losses or requires substantial capital investment or in order for Freckle 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 Freckle or at all. Freckle 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 Freckle's business, financial condition and results.

d) Limited Operating History

Freckle 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 Freckle's prospects for success and there is no guarantee that Freckle's business model will achieve its strategic objectives. There is no assurance that Freckle will be successful and the likelihood of success must be considered in light of its relatively early stage of operation.

Freckle 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 Freckle 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 Freckle's prospects for success and there is no guarantee that Freckle's business model will achieve its strategic objectives.

f) Foreign Exchange Exposure

Freckle 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 Freckle. The potential effect of the currency exchange rate fluctuations will be magnified as the percentage of sales foreign markets grows.

g) Jurisdictional Risks

Freckle 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 Freckle's business. Freckle'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 Freckle's foreign operations, Freckle 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 Freckle'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 Freckle.

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

i) Misappropriation of Freckle's IP

Protection of Freckle's IP is important to its success. Freckle 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 Freckle's IP or deter independent development of similar products and services by competitors of Freckle.

Litigation may be necessary to enforce Freckle'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 Freckle's business. Moreover, due to the differences in foreign IP laws, Freckle's IP may not receive the same degree of protection in foreign countries as it would in Canada or the United States. Freckle'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 Freckle or Killi's platforms could harm its business and competitive position. There can be no assurance that any steps Freckle 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 Freckle's technology.

k) Market Price Fluctuation

The market price of shares of Freckle may be subject to wide fluctuations in response to many factors, including variations in the operating results of Freckle and its subsidiaries, divergence in financial results from market expectations, changes in earnings estimates by stock market analysts, changes in the business prospects for Freckle and its subsidiaries, general economic conditions, legislative changes, and other events and factors outside of Freckle'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 Freckle.

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 Freckle 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 Freckle.

Freckle is s also subject to the state data protection law, **CCPA**. If Freckle 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 Freckle expands to the European Union it will also be subject to the European Union data protection law, GDPR. If Freckle 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

Freckle 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 Freckle's business operations and strategy. Despite Freckle's efforts to protect sensitive, confidential or personal data or information, Freckle 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 Freckle'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 Freckle's software, from time to time, it may contain defects, security vulnerabilities, software "bugs" or failures that are difficult to detect, control and correct. Freckle 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 Freckle's brand. Moreover, the consequences of such errors and defects could have a material adverse effect on Freckle's business, growth, financial condition and result of operations.

o) Dependence on Strategic Relationships with Third Parties

Freckle 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 Freckle's success. Freckle's financial performance has been and will continue to be significantly determined by Freckle's success in adding, retaining, and engaging active users of its products. If people do not perceive Freckle's products to be useful, reliable, and trustworthy, Freckle 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, Freckle's revenue and financial results may be adversely affected. Any decrease in user retention, growth, or engagement could render Freckle's products less attractive to users and marketers, which is likely to have a material and adverse impact on Freckle's revenue, business, financial condition, and results of operations.

q) Reliance on Key Customers

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

r) Need to Manage Growth

The growth of Freckle's business and its products and services cause significant demands on Freckle's managerial, operational and financial resources. Demands on Freckle's financial resources will grow rapidly with Freckle'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.

Freckle may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of Freckle 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 Freckle to deal with this growth may have a material adverse effect on Freckle's business, financial condition, results of operations and prospects.

s) Limited Market for Securities

An active trading market for securities of Freckle 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 Freckle 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 Freckle. Further, an inactive market may also impair Freckle's ability to raise capital by selling securities of Freckle and may impair its ability to enter into collaborations or acquire companies or products by using securities of Freckle as consideration. The market price of securities of Freckle 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 Freckle will be sustained.

t) Significant Holdings by Limited Number of Existing Shareholders

Freckle’s management and directors own a substantial number of Freckle’s outstanding common shares (on a fully diluted basis). As such, Freckle’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 Freckle that could otherwise be beneficial to Freckle’s shareholders.

u) Dependency on Key Personnel

Freckle’s success depends upon the continued service of its senior management team. Freckle employees may voluntarily terminate their employment with Freckle at any time. The loss of services of key personnel could have a material adverse effect upon Freckle’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.

SHARE CAPITAL

The company had the following outstanding:

	As at March 31, 2020	As at December 31, 2019
Common shares	**216,521,909**	216,521,909
Warrants	**24,191,477**	24,191,477
Stock Options	**7,981,850**	7,819,850

As of March 31, 2020, the Company had 216,521,909 shares, 24,191,477 warrants and 8,011,850 stock options of which 4,310,517 were exercisable. Including 50,000 options issued to Jason Maguire for joining the Board.

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

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 December 31, 2019. 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 March 31, 2020, and March 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 consolidated statement of loss and comprehensive loss. As of March 31, 2020, it was determined that an allowance for credit loss of $16,591 (March 31, 2019 – nil) was required and wrote off uncollectible balances of $141,928 (2018 – nil).

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 March 31, 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 March 31, 2020					
Trade and other liabilities	**$ 1,113,893**	**-**	**-**	**-**	**$1,113,893**
Loan Payable	**$ 747**	**1,495**	**6,726**	**27,930**	**$ 36,898**
	$ 1,114,640	**$ 1,495**	**$ 6,726**	**$ 27,930**	**1,150,791**
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	$1,362,042

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 March 31, 2020, the Canadian entities US-dollar net monetary assets totaled approximately US ($415,195) (CAD $579,321) (December 31, 2019 – US $264,163 (CAD $343,095) and the Company's United States subsidiaries US-dollar monetary net liabilities totaled approximately US $120,150 (CAD $167,645) (2019 – US $82,932 (CAD $107,712)). A 10% strengthening in the Canadian dollar against the United States dollar as at March 31, 2020 would have increased comprehensive loss and decreased shareholder's equity by $41,167 (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 a non-cancellable contracts for rent and cost of services, the commitments are as follows:

		As at March 31, 2020
Less than one year	**$**	**249,179**
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 three months ended March 31, 2020 the funding provided was nil (three months ended March 31, 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.

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

		2020		2019
Salaries and benefits	**$**	**137,731**	$	114,944
Stock based compensation		**10,105**		7,503
Board fees and related stock based compensation		**385**		-
Total key management compensation	**$**	**148,221**	$	122,447

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 $75,645 for the period ended March 31, 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.

MANAGEMENT'S STATEMENT OF RESPONSIBILITY

The accompanying consolidated financial statements of Freckle 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.