



**Consolidated Financial Statements**

Killi Ltd. (formerly Freckle Ltd.)

As at March 31, 2021 and 2020

(Expressed in Canadian Dollars)

**NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice to reader indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim condensed consolidated financial statements of Killi Ltd. (Formerly Freckle Ltd.) have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

## Killi Ltd. (Formerly Freckle Ltd.)

Unaudited Condensed Consolidated Interim Statements of Financial Position

As at March 31, 2021, and December 31, 2020

(in Canadian Dollars)

	Note	March 31, 2021	December 31, 2020
<b>Assets</b>			
<i>Current Assets</i>			
Cash and cash equivalents	4	\$ 4,870,321	\$ 1,519,500
Trade and other receivables	5	268,999	382,399
Prepaid expenses		433,634	193,238
<i>Total current assets</i>		<u>5,572,954</u>	<u>2,095,137</u>
<i>Non Current Assets</i>			
Property and equipment, net	6	\$ 44,953	\$ 50,756
<i>Total assets</i>		<u>\$ 5,617,907</u>	<u>\$ 2,145,893</u>
<b>Liabilities and Shareholders' Equity</b>			
<i>Current Liabilities</i>			
Trade and other liabilities	7	\$ 1,108,582	\$ 848,544
Current portion of loan payable	8	11,909	26,409
<i>Total current liabilities</i>		<u>1,120,491</u>	<u>874,953</u>
Non-current portion of loan payable	8	\$ 28,897	\$ 30,702
<i>Total liabilities</i>		<u>\$ 1,149,388</u>	<u>\$ 905,655</u>
<i>Shareholders' equity</i>			
Share capital	10	\$ 27,694,821	\$ 24,227,148
Warrants	10	1,240,010	500,552
Contributed surplus		1,487,259	1,163,694
Cumulative translation adjustment		58,090	118,749
Deficit		(26,011,661)	(24,769,905)
<i>Total Shareholders' equity</i>		<u>\$ 4,468,519</u>	<u>\$ 1,240,238</u>
<i>Total Shareholders' equity and liabilities</i>		<u>\$ 5,617,907</u>	<u>\$ 2,145,893</u>
Commitments and Subsequent Event	12, 23		

Approved on behalf of the Board of Directors:

Original signed by  
Neil Sweeney, CEO & Founder

Original signed by  
Robert Fericola, Chair of the Audit Committee

The accompanying notes are an integral part of these audited consolidated financial statements.

## Killi Ltd. (Formerly Freckle Ltd.)

Unaudited Condensed Consolidated Interim Statements of Loss and Comprehensive Loss  
Three months ended March 31, 2021 and 2020  
(in Canadian Dollars)

		Three months ended March 31,	
	Note	2021	2020 (As restated - Note 23)
Revenue	13	\$ 123,468	\$ 15,035
Cost of services	14	186,889	5,549
Gross profit (loss)		(63,421)	9,486
Expenses			
General and administrative	15	233,359	615,935
Research and development	16	207,378	717,989
Selling and business development	17	298,026	107,473
Marketing	18	458,536	93,663
		1,197,299	1,535,060
Other income			
Gain on sale of Freckle business unit	3 (e)	15,965	-
Interest income		2,999	-
		18,964	-
Net loss from continuing operations		(1,241,756)	(1,525,574)
Loss from discontinued operations, net of tax	22	-	452,528
Net loss		(1,241,756)	(1,073,046)
Other comprehensive loss			
Foreign currency translation differences		(60,659)	(282,023)
Total comprehensive loss		\$ (1,302,415)	\$ (1,355,069)
Net loss per share from continuing operations:			
Basic and diluted	10	\$ (0.004)	\$ (0.007)
Net loss per share from discontinued operations:			
Basic and diluted	10	\$ -	\$ 0.002
Weighted average number of common shares outstanding			
Basic and diluted		309,252,530	216,521,909

The accompanying notes are an integral part of these audited consolidated financial statements.

**Killi Ltd. (Formerly Freckle Ltd.)**

Unaudited Condensed Consolidated Interim Statements of Changes in Equity

Three months ended March 31, 2021 and 2020

(in Canadian Dollars)

		Number of Common Shares	Share Capital	Warrants	Contributed Surplus	Cumulative translation adjustment	Accumulated Deficit	Total Equity (Deficiency)
Balance as at January 1, 2020		216,521,909	\$ 21,014,079	\$ 1,212,669	\$ 400,439	\$ 26,609	\$ (20,115,131)	\$ 2,538,665
Share-based compensation	11	-	-	-	20,839	-	-	\$ 20,839
Net loss and comprehensive loss		-	-	-	-	(282,023)	(1,073,046)	\$ (1,355,069)
Balance as at March 31, 2020		<u>216,521,909</u>	<u>21,014,079</u>	<u>1,212,669</u>	<u>421,278</u>	<u>(255,414)</u>	<u>(21,188,177)</u>	<u>1,204,435</u>
Balance as at January 1, 2021		301,021,909	24,227,148	500,552	1,163,694	118,749	(24,769,905)	1,240,238
Issuance of share capital related to the private placement	10	35,274,092	3,516,827	1,068,805	-	-	-	\$ 4,585,632
Share issuance costs	10	-	(49,154)	(14,938)	-	-	-	\$ (64,092)
Reclassing expired warrants	10	-	-	(314,409)	314,409	-	-	\$ -
Share-based compensation	11	-	-	-	9,156	-	-	\$ 9,156
Net loss and comprehensive loss		-	-	-	-	(60,659)	(1,241,756)	\$ (1,302,415)
Balance as at March 31, 2021		<u>336,296,001</u>	<u>27,694,821</u>	<u>1,240,010</u>	<u>1,487,259</u>	<u>58,090</u>	<u>(26,011,661)</u>	<u>\$ 4,468,519</u>

The accompanying notes are an integral part of these audited consolidated financial statements.

## Killi Ltd. (Formerly Freckle Ltd.)

Unaudited Condensed Consolidated Interim Statements of Cash Flows  
Three months ended March 31, 2021 and 2020  
(in Canadian Dollars)

		Three months ended March 31,	
	Note	2021	2020
			(As restated - Note 23)
<b>Operating activities</b>			
Net loss from continuing operations		\$ (1,241,756)	\$ (1,525,574)
Net loss from discontinued operations	22	-	452,528
Adjustments to net loss:			
Amortization of property and equipment		5,736	7,340
Gain on sale of disposed business	3 (e)	(15,965)	-
Interest related to financing, net		1,003	640
Share based compensation	11	9,156	20,839
Net change in non-cash operating working capital	20	133,109	(237,475)
Net cash flows used in operating activities		<u>(1,108,717)</u>	<u>(1,281,702)</u>
<b>Financing activities</b>			
Issuance of units, net issuance costs		3,467,673	-
Issuance of warrants, net issuance costs		1,053,867	-
Repayment of debt		(16,305)	(2,346)
Interest paid		(1,003)	(640)
Cash flows from financing activities		<u>4,504,232</u>	<u>(2,986)</u>
<b>Investing activities</b>			
Proceeds on disposal of business		15,965	-
Purchase of property and equipment		-	(4,311)
Cash flows from (used in) investing activities		<u>15,965</u>	<u>(4,311)</u>
Effect of foreign exchange on cash and cash equivalents		(60,659)	(282,023)
Net (Decrease)/Increase in cash and cash equivalents		3,350,821	(1,571,023)
Cash and cash equivalents, beginning of year		1,519,500	2,364,127
Cash and cash equivalents, end of period		<u>\$ 4,870,321</u>	<u>\$ 793,104</u>

The accompanying notes are an integral part of these audited consolidated financial statements.

# **KILLI LTD. (Formerly Freckle Ltd.)**

## **Notes to the Unaudited Condensed Consolidated Interim Financial Statements Years the three months ended March 31, 2021 and 2020 (in Canadian Dollars)**

### **1. CORPORATE INFORMATION**

Killi Ltd. (“Killi”, the “Company”), 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 that allows consumers 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.

The address of the Company’s corporate office is 5<sup>th</sup> floor - 100 University Ave, Toronto, Ontario, M5J 1V6.

Killi, formerly Freckle Ltd., was incorporated on January 14, 1997 pursuant to the ABCA as 723765 Alberta Ltd. On February 5, 1998, the Company filed articles of amendment to change its name to Charger Petroleum Inc. pursuant to a certificate of amendment dated September 16, 1998, the articles of the Company were amended to delete the ‘private company’ provisions contained therein. On July 23, 1999, the Company changed its name to Charger Energy Inc. Pursuant to a certificate of amendment filed on April 11, 2003, the Company changed its name to Arapahoe Energy Corporation and consolidated its outstanding common shares at a 10:1 ratio. On February 6, 2004, the Company amalgamated with Crazy Horse Energy Inc. and continued under the name Arapahoe Energy Corporation. On January 3, 2008, the Company changed its name to Canadian Phoenix Resources Corp. and on January 7, 2008, its common shares began trading on the TSX Venture Exchange under the symbol “CHP”. Effective November 16, 2009, the Company amended its articles of incorporation to consolidate its outstanding common shares on a 25:1 basis and on November 18, 2009 its common shares commenced trading on the TSX Venture Exchange under the new symbol “CXP”. On December 14, 2012, pursuant to a certificate of amendment and registration of restated articles, the Company cancelled its common shares, non-voting shares and class A preferred shares and authorized the issue of an unlimited number of Shares and an unlimited number of Preferred Shares. On March 8, 2013, the Company changed its name from Canadian Phoenix Resources Corp. to Knol Resources Corp. and consolidated the number of its issued and outstanding common shares on a 10:1 basis.

On June 14, 2019, the Company completed a reverse takeover transaction, pursuant to which Freckle I.O.T. Ltd. amalgamated with a wholly owned subsidiary of the Company and was subsequently renamed Freckle Ltd. and continued as a corporation under the Ontario Business Corporation Act.

On May 25, 2020, the Company changed its name from Freckle Ltd. to Killi Ltd. and the Company’s common shares commenced trading on the TSX Venture Exchange (the “TSXV”) under the symbol “MYID”.

On May 29, 2020, the Company finalized a definitive asset purchase agreement with PlaceIQ, Inc. (“PlaceIQ”) for the sale of certain assets of the Company’s offline attribution and data business (see Note 22).

On November 4, 2020, the Company completed its up-list and the Company’s common shares commenced trading on the OTCQB Venture Market under the symbol “MYIDF”.

# **KILLI LTD. (Formerly Freckle Ltd.)**

## **Notes to the Unaudited Condensed Consolidated Interim Financial Statements Years the three months ended March 31, 2021 and 2020 (in Canadian Dollars)**

### **2. GOING CONCERN UNCERTAINTY**

These unaudited condensed consolidated interim financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards (“IFRS”) as issued by International Accounting Standards Board (IASB). The going concern basis of presentation assumes the Company will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. During the quarter ended March 31, 2021, the Company incurred a comprehensive loss of \$1,302,415 (2020 - \$1,355,069) and negative cash flows from operations of \$1,108,717 (2020 – negative \$1,281,702). In addition, the Company has an accumulated deficit of \$26,011,661 (December 31, 2020 - \$24,769,905).

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. This assessment is based upon planned actions that may or may not occur for a number of reasons including the Company’s own resources and external market conditions.

The Company’s ability to continue as a going concern, realize its assets and discharge its liabilities in the normal course of business, meet its corporate administrative expenses, continue its research and development activities and support the operations of its subsidiaries, is dependent upon management’s ability to obtain additional financing, through various means including but not limited to equity financing. No assurance can be given that any such additional financing will be available, or that it can be obtained on terms favorable to the Company. The Company has also been affected by the outbreak of COVID-19. The full impact of the COVID-19 pandemic on our full year financial results will depend on future development, such as the ultimate duration and scope (see Note 3 (f)). The above factors indicate a material uncertainty that may cast significant doubt as to the Company’s ability to continue to operate as a going concern.

These unaudited condensed consolidated interim financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these financial statements, then adjustments would be necessary to the carrying amounts of assets and liabilities, the reported expenses and the classifications used in the statements of financial position.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

The following accounting policies have been used throughout all periods presented in the unaudited condensed consolidated interim financial statements.

#### **(a) Basis of preparation and statement of compliance with IFRS**

These unaudited condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and the Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”) and in effect at the closing date of March 31, 2021.

## **KILLI LTD. (Formerly Freckle Ltd.)**

### **Notes to the Unaudited Condensed Consolidated Interim Financial Statements**

**Years the three months ended March 31, 2021 and 2020**

**(in Canadian Dollars)**

On May 26, 2021, the Company's Board of Directors approved these unaudited condensed consolidated interim financial statements and authorize them for issue.

#### **(b) Basis of measurement**

The same accounting policies are followed in the unaudited condensed consolidated interim financial statements as were followed in the most recent annual financial statements for the year ended December 31, 2020.

#### **(c) Basis of consolidation**

The consolidated financial statements include the accounts of Killi Ltd. and its subsidiaries. The chart below summarizes the entities included in the unaudited condensed consolidated interim financial statements as at March 31, 2021 and December 31, 2020.

<b>Entity Name</b>	<b>Place of Incorporation</b>	<b>Ownership</b>	<b>Functional Currency</b>
Killi Ltd (formerly Freckle Ltd)	Ontario, Canada	Parent	Canadian dollars
Killi Inc (formerly Freckle I.O.T. Ltd)	Ontario, Canada	Wholly owned subsidiary of Killi Ltd	Canadian dollars
Killi Holdings Ltd (formerly Killi Inc)	Ontario, Canada	Wholly owned subsidiary of Killi Inc	Canadian dollars
Killi USA Inc (formerly Freckle I.O.T. USA Inc)	Delaware, USA	Wholly owned subsidiary of Killi Inc	United States dollars

#### **(d) Critical accounting estimates and judgements**

The Company's unaudited condensed consolidated interim financial statements are prepared in accordance with IFRS recognition and measurement principles that often require Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts presented and disclosed in the unaudited condensed consolidated interim financial statements.

Management reviews these estimates and assumptions on an ongoing basis based on historical experience, changes in business conditions and other relevant factors as it believes to be reasonable under the circumstances. Changes in facts and circumstances may result in revised estimates, and actual results could differ from those estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The estimates, judgments and assumptions applied in the interim condensed unaudited condensed consolidated interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Company's last annual audited consolidated financial statements for the year ended December 31, 2020.



## **KILLI LTD. (Formerly Freckle Ltd.)**

### **Notes to the Unaudited Condensed Consolidated Interim Financial Statements**

**Years the three months ended March 31, 2021 and 2020**

**(in Canadian Dollars)**

#### **(e) Discontinued operations and gain (loss) on sale**

A disposal group qualifies as discontinued operation if it is a major component of an entity that either has been disposed of, or, is classified as held for sale, and represents a separate major line of business or geographical areas of operations, is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or, is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of loss and comprehensive loss.

The measurement of the consideration promised in the contract is variable depending on the results of the disposed business. The Company is entitled to a revenue share net of any directly attributed costs governed by the asset purchase agreement. In accordance with IFRS 15, the Company is to recognize an amount of variable consideration only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. At the end of each reporting period, the Company updates its estimated transaction price for assessment of variable consideration. Management has made the judgment that no amount of variable consideration can be made reliably as management does not believe that it is highly probable that a revenue reversal would not occur. As such, the Company to date has recognized revenue on the sale based on the actual revenue share amount earned to the end of March 31, 2021.

#### **(f) Impact of COVID-19 outbreak**

In Q1 2020, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, American, provincial, state and municipal governments regarding travel, business operations and isolation/quarantine orders.

In response, the Company has qualified for and received \$154,108 (three months ended March 31, 2020 – \$nil) for the Canadian Emergency Wage Subsidy (“CEWS”) and \$11,721 (three months ended March 31, 2020 – \$nil) for the Canadian Emergency Rent Subsidy (“CERS”). These amounts have been netted against departmental expenses in the unaudited condensed consolidated interim statement of loss and comprehensive loss. The Canadian government announced its intention to extend the wage subsidy though to June 2021. The Company will continue to monitor changes to CEWS, CERS and other COVID-19 related grants and subsidies that may be available.

The future effect of COVID-19 on the economy and businesses, in general, remains uncertain. The medium and long term impact to the Company from COVID-19 will depend on the financial solutions achieved with government, lenders, post COVID-19 consumer behaviours, and the macro impact on the overall economy.

# KILLI LTD. (Formerly Freckle Ltd.)

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements Years the three months ended March 31, 2021 and 2020 (in Canadian Dollars)

The Company continues to monitor and actively manage the developing impacts from COVID-19 and will continue to assess impacts to the Company's operations and the reported value of assets and liabilities reported in these unaudited condensed consolidated interim financial statements.

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 receivables.

### 4. CASH AND CASH EQUIVALENTS

On October 28, 2020, the Company purchased a \$1,000,000 redeemable guaranteed investment certificate ("GIC") with a maturity date of Oct 28, 2021 and an interest rate of 0.45%. As of March 31, 2021 the balance of the GIC was \$775,000 (December 31, 2020 - \$1,000,000) and the company received \$300 in interest income (2020 - \$nil).

On March 11, 2021, the Company purchased a \$3,300,000 redeemable guaranteed investment certificate ("GIC") with a maturity date of March 11, 2022 and an interest rate of 0.35%. As of March 31, 2021 the balance of the GIC was \$3,300,000 (December 31, 2020 - \$nil) and the company received \$981 in interest income (2020 - \$nil).

### 5. TRADE AND OTHER RECEIVABLES

The amounts recognized in the unaudited condensed consolidated interim statements of financial position relating to trade and other receivables are determined as follows:

Trade receivables and other receivables consists of billings for revenue earned.

	As at March 31, 2021	As at December 31, 2020
Input tax receivable	\$ 38,195	\$ 23,661
Government receivables	126,598	62,632
Trade accounts receivable, gross <sup>1</sup>	106,353	305,647
Allowance for credit losses	(2,147)	(9,541)
	<u>\$ 268,999</u>	<u>\$ 382,399</u>

<sup>1</sup>The trade amount receivable, gross includes the receivable due from PlacelQ.

The changes in trade accounts receivable, gross are as follows:

	As at March 31, 2021	As at December 31, 2020
Opening trade receivables, gross	\$ 305,647	\$ 1,090,614
Due from PlacelQ	15,965	158,878
Progress billings	123,468	1,412,555
Less: Amounts collected during the year on receivables outstanding at January 1	213,312	843,660
Less: Amounts collected during the year	125,415	1,667,195
Less: Amounts recovered (written off) as uncollectible	-	(154,455)
Closing trade receivables, gross	<u>\$ 106,353</u>	<u>\$ 305,647</u>

# KILLI LTD. (Formerly Freckle Ltd.)

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements Years the three months ended March 31, 2021 and 2020 (in Canadian Dollars)

The allowance for credit losses has been determined as per the below table:

March 31, 2021	Amounts receivable past transaction date						Total
	<30 days	31-60	61-90	91-180	181-360	>360 days	
Expected credit loss %	2.09%	2.48%	3.26%	14%	77%	100%	
Gross carrying amount	\$ 61,245	\$ 16,293	\$ 12,805	\$ -	\$ -	\$ 45	\$ 90,388
<b>Expected credit loss</b>	<b>\$ 1,280</b>	<b>\$ 404</b>	<b>\$ 418</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 45</b>	<b>\$ 2,147</b>

  

December 31, 2020	Amounts receivable past transaction date						Total
	<30 days	31-60	61-90	91-180	181-360	>360 days	
Expected credit loss %	2.09%	2.48%	3.26%	14%	77%	100%	
Gross carrying amount	\$ 109,065	\$ 18,985	\$ 10,953	\$ -	\$ 8,286	\$ 45	\$ 147,334
Expected credit loss	\$ 2,279	471	357	-	6,389	45	\$ 9,541

The gross carrying amount the Company uses to calculate estimated credit losses does not include the receivable from PlacelQ.

The changes in the expected credit loss are as follows:

	As at March 31, 2021	As at December 31, 2020
Opening allowance for expected credit losses	\$ 9,541	\$ 35,163
Provision for expected credit losses	(7,394)	128,833
Less: Trade receivables written off	-	(154,455)
<b>Closing balance for expected credit losses</b>	<b>\$ 2,147</b>	<b>\$ 9,541</b>

All amounts are short-term. The net carrying value of trade receivables is considered a reasonable approximation of fair value.

## 6. PROPERTY AND EQUIPMENT

	Computer Equipment	Furniture	Vehicle	Total
<b>Cost:</b>				
As December 31, 2019	\$ 77,080	\$ 9,592	\$ 40,053	\$ 126,725
Additions	6,666	-	-	6,666
Disposals	(1,446)	(9,592)	-	(11,038)
At December 31, 2020	\$ 82,300	\$ -	\$ 40,053	\$ 122,353
Additions	-	-	-	-
Disposals	(67)	-	-	(67)
At March 31, 2021	<b>\$ 82,233</b>	<b>\$ -</b>	<b>\$ 40,053</b>	<b>\$ 122,286</b>
<b>Accumulated amortization:</b>				
As December 31, 2019	\$ 46,672	\$ 5,184	\$ 1,112	\$ 52,968
Amortization	18,262	1,439	6,676	26,377
Disposals	(1,125)	(6,623)	-	(7,748)
As December 31, 2020	\$ 63,809	\$ -	\$ 7,788	\$ 71,597
Amortization	\$ 4,067	\$ -	\$ 1,669	\$ 5,736
Disposals	-	-	-	-
At March 31, 2021	<b>\$ 67,876</b>	<b>\$ -</b>	<b>\$ 9,457</b>	<b>\$ 77,333</b>
<b>Carrying amounts:</b>				
At December 31, 2019	\$ 18,491	\$ -	\$ 32,265	\$ 50,756
At March 31, 2021	<b>\$ 14,357</b>	<b>\$ -</b>	<b>\$ 30,596</b>	<b>\$ 44,953</b>

## KILLI LTD. (Formerly Freckle Ltd.)

Notes to the Unaudited Condensed Consolidated Interim Financial Statements  
Years the three months ended March 31, 2021 and 2020  
(in Canadian Dollars)

### 7. TRADE AND OTHER LIABILITIES

	As at March 31, 2021	As at December 31, 2020
Trade payables	\$ 814,690	\$ 570,964
Accrued liabilities	293,892	277,580
Total trade and other liabilities	\$ 1,108,582	\$ 848,544

### 8. LOAN PAYABLE

On October 16, 2019, the Company entered into a credit agreement with a Canadian chartered bank for a vehicle in the amount of \$45,238 with payments due in equal installments until the maturity date of October 27, 2025 at which time the loan will be paid in full. The credit agreement bears an interest rate of 5.89% and the term of the loan is 72 months. This loan is secured by the vehicle which has a net book value of \$30,596 as of March 31, 2021 (December 31, 2020 – \$32,265). The total interest of \$537 was paid for the period ended March 31, 2021 (December 31, 2020 - \$2,428). The total loan payable outstanding at March 31, 2020 is \$35,939 (December 31, 2020 - \$37,644) of which \$7,042 (December 31, 2020 - \$6,942) is included in current liabilities.

On July 7, 2020, and November 17, 2020 the Company entered into a credit agreement with an insurance company in the amount of \$27,778 and \$16,418 respectively with payments due in equal installments until the maturity date of April 7, 2021 at which time the loan will be paid in full. The credit agreement bears an interest rate of 3.00% and the term is 10 months. The total interest of \$466 was paid for the period ended March 31, 2021 (December 31, 2019 - \$571). The total loan payable outstanding at March 31, 2021 is \$4,867 (December 31, 2020 - \$19,467) of which \$4,867 (December 31, 2020 - \$19,467) is included in current liabilities.

### 9. RELATED PARTY DEMAND LOAN & KEY MANAGEMENT COMPENSATION

Included in salaries, benefits and recruiting within general and administrative expenses on the statement of loss and comprehensive loss are the amounts of \$nil (2020 - \$2,242) for a vehicle provided to an officer of the Company and \$3,300 (2020 - \$13,200) 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 March 31,	
	2021	2020
Salaries and benefits	\$ 96,011	\$ 288,412
Stock based compensation	8,838	10,115
Board fees and related stock based compensation	6,932	817
Total key management compensation	\$ 111,781	\$ 299,344

# KILLI LTD. (Formerly Freckle Ltd.)

Notes to the Unaudited Condensed Consolidated Interim Financial Statements  
Years the three months ended March 31, 2021 and 2020  
(in Canadian Dollars)

## 10. SHARE CAPITAL

Authorized:

Unlimited number of common shares, no par value. There are no rights, preferences or restrictions attached to that class.

Issued and outstanding:

	<u>March 31, 2021</u>	
	<u>Number of Shares</u>	<u>Share Price</u>
Balance as of January 1, 2021	301,021,909	
Issuance pursuant to private placement March 10, 2021 <sup>1</sup>	35,274,092	0.13
<b>Balance as of March 31, 2021</b>	<b>336,296,001</b>	

  

	<u>December 31, 2020</u>	
	<u>Number of Shares</u>	<u>Share Price</u>
Balance as of January 1, 2020	216,521,909	
Issuance pursuant to private placement May 18, 2020 <sup>2</sup>	42,000,000	0.03
Issuance pursuant to the exercise of stock options	500,000	0.05
Issuance pursuant to the exercise of warrants	42,000,000	0.05
<b>Balance as of December 31, 2020</b>	<b>301,021,909</b>	

<sup>1</sup> Transaction costs include allocated legal expenses of \$49,154.

<sup>2</sup> Transaction costs include legal expenses of \$29,738, all of which was allocated to share capital.

Warrants issued and outstanding:

	<u>March 31, 2021</u>		
	<u>Number of Share Warrants</u>	<u>Weighted average exercise price</u>	<u>Expiry date</u>
Balance as of January 1, 2021	9,483,100	\$0.28	
Issuance pursuant to private placement March 10, 2021 <sup>1</sup>	35,274,092	0.21	March 10, 2023
Expiry of issuance pursuant to private placement March 28, 2019 <sup>2</sup>	(7,500,000)	0.30	March 28, 2021
<b>Balance as of March 31, 2021</b>	<b>37,257,192</b>	<b>\$0.21</b>	

# KILLI LTD. (Formerly Freckle Ltd.)

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements Years the three months ended March 31, 2021 and 2020 (in Canadian Dollars)

	<u>December 31, 2020</u>		
	Number of Share	Weighted	
	Warrants	average	Expiry date
		exercise price	
Balance as of January 1, 2020	24,191,477	\$0.29	
Expiry of issuance pursuant to private placement April 17, 2018 <sup>3</sup>	(9,625,000)	0.30	April 17, 2020
Expiry of commission warrants issuance pursuant to the private placement April 17, 2018 <sup>3</sup>	(78,750)	0.30	April 17, 2020
Issuance pursuant to private placement May 18, 2020	42,000,000	0.05	November 16, 2021
Expiry of issuance pursuant to private placement September 28, 2018 <sup>4</sup>	(4,679,627)	0.30	September 28, 2020
Expiry of issuance pursuant of private placement December 31, 2018 <sup>5</sup>	(325,000)	0.30	December 31, 2020
Exercise of warrants	(42,000,000)	0.05	
<b>Balance as of December 31, 2020</b>	<b>9,483,100</b>	<b>\$0.28</b>	

<sup>1</sup>Transaction costs include allocated legal costs of \$14,938. The warrants expire after two years, however, the Company has the right to accelerate exercise if the share has traded at a price greater than or equal to \$0.30 for 20 consecutive days on any Canadian market, following which the warrants will expire if not exercised within 30 days.

<sup>2</sup>Transaction costs include 3.5% cash commission of \$52,500, of which \$13,125 was allocated to warrants, advisory fee of \$125,000, of which \$7,500 was allocated to warrants, compensation warrants fair value costs of \$222,672, of which \$12,789 was allocated to warrants and legal costs of \$466,856 of which \$63,708 was allocated to warrants. The warrants expire after two years, however, the Company has the right to accelerate exercise if the share has traded at a price greater than or equal to \$0.50 for 30 consecutive days on any Canadian market, following which the warrants will expire if not exercised within 30 days.

<sup>3</sup>Transaction costs include 7% cash commission on certain investments totalling \$15,750 of which \$3,937 was allocated to warrants, 7% warrant commission on certain investments equating to 78,750 warrants valued at \$3,938 of which \$984 was allocated to warrants and legal costs totalling \$32,747 of which \$8,188 was allocated to warrants.

<sup>4</sup>Transaction costs include allocated legal costs of \$9,561.

<sup>5</sup>Transaction costs include allocated legal costs of \$632.

The below inputs and assumptions were used in the fair value determination of the warrants:

	<u>March 10, 2021</u>	<u>May 18, 2020</u>	<u>June 14, 2019</u>	<u>March 28, 2019</u>
Weighted average share price	<b>\$0.130</b>	\$0.025	\$0.20	\$0.15
Volatility	<b>100%</b>	100%	108%	106%
Risk free interest rate	<b>0.22%</b>	0.32%	1.46%	1.80%
Dividend yield	-	-	-	-
Barrier	<b>\$0.300</b>	\$0.080	-	-
Rebate	<b>\$0.090</b>	\$0.030	-	-

# KILLI LTD. (Formerly Freckle Ltd.)

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements Years the three months ended March 31, 2021 and 2020 (in Canadian Dollars)

Loss per share:

Weighted average number of common shares outstanding

Additions to reflect the dilutive effect of employee stock options and warrants  
Adjusted denominator for diluted loss per share

Options and warrants that are anti-dilutive were not included in the compilation of diluted common shares for the period ended March 31, 2021. 8,428,105 (2020 – 9,034,772) stock options and 30,531,284 (2020 – 9,483,100 ) warrants were excluded from the calculations because they were anti-dilutive.

### 11. STOCK OPTION PLAN

The stock option plan is applicable to employees and directors of the Company. The options are granted at the Company's current fair market value of the common shares under terms and conditions determined by the Board. Under the terms of the plan, the options generally vest proportionately over a three-year period and expire five years from the date of the grant. There were 1,590,000 options issued in the period ended March 31, 2021 (three months ended March 31, 2020 – 192,000) to employees and contractors. The fair value of compensation expense related to options issued to employees and contractors for the period ended March 31, 2021 is \$9,156 (three months ended March 31, 2020 - \$20,839). On May 25, 2020, the Company repriced a total of 3,509,772 options to a new exercise price of \$0.05. On August 27, 2020, the Company repriced a total of 350,000 options to a new exercise price of \$0.07. On November 6, 2020, the Company repriced a total of 250,000 options to a new exercise price of \$0.05. The impact of the repricing in 2020 increased the fair value of previously granted stock options by \$34,284. An additional increase in fair value of \$6,858 for previously granted stock options will be recognized over the remaining vesting term. The Company may issue up to 10% of common shares outstanding as options under its stock option plan.

	<u>March 31, 2021</u>	
	<u>Number of</u>	<u>Weighted average</u>
	<u>Options</u>	<u>exercise price</u>
Outstanding, January 1, 2021	9,034,772	\$0.06
Granted	1,590,000	0.13
Exercised	-	-
Forfeited	(2,196,667)	0.25
Outstanding, March 31, 2021	8,428,105	\$0.05

## KILLI LTD. (Formerly Freckle Ltd.)

Notes to the Unaudited Condensed Consolidated Interim Financial Statements  
 Years the three months ended March 31, 2021 and 2020  
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	<u>December 31, 2020</u>	Number of Options	Weighted average exercise price
Outstanding, January 1, 2020		7,819,850	\$0.13
Granted		4,689,000	0.08
Exercised		(500,000)	0.05
Forfeited		(2,974,078)	0.13
Outstanding, December 31, 2020		<u>9,034,772</u>	<u>\$0.06</u>

The Company uses the Black-Scholes method to calculate option values, the below assumptions were used for all options issue:

	<u>2021</u>	2020
Weighted average share price	<u>\$0.12</u>	\$0.08
Expected life, in years	1-5	1-5
Volatility	100%	100%
Risk free interest rate	0.22%	0.2% - 1.44%
Anticipated forfeiture	0%-55%	0%-48%
Dividend yield	-	-

The maximum term of the options is 5 years. The share price is the fair value of the shares based on the market share price the day of the grant. The volatility is based on comparable public companies within comparable industries.

The following table summarizes information about stock options as at March 31, 2021:

<u>Options Outstanding</u>			<u>Options Exercisable</u>
<u>Exercise prices</u>	<u>Number outstanding</u>	<u>Weighted average remaining contractual life (years)</u>	<u>Number exercisable</u>
\$0.05	3,643,105	2.01	3,323,772
0.07	2,695,000	4.33	533,333
0.125	200,000	4.68	-
0.13	1,840,000	4.91	83,333
0.20	50,000	3.93	50,000
<u>\$0.05-\$0.20</u>	<u>8,428,105</u>	<u>3.53</u>	<u>3,990,438</u>



# KILLI LTD. (Formerly Freckle Ltd.)

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements

Years the three months ended March 31, 2021 and 2020

(in Canadian Dollars)

The following table summarizes information about stock options as at December 31, 2020

<u>Options Outstanding</u>			<u>Options Exercisable</u>
<u>Exercise prices</u>	<u>Number outstanding</u>	<u>Weighted average remaining contractual life (years)</u>	<u>Number exercisable</u>
\$0.05	4,787,772	2.48	3,801,772
0.07	3,197,000	4.59	513,333
0.125	200,000	4.92	-
0.13	250,000	4.92	83,333
0.155	500,000	4.92	166,667
0.20	100,000	3.91	100,000
\$0.05-\$0.20	9,034,772	3.50	4,665,105

The weighted average exercise price was \$0.05 as of March 31, 2021 (2020 - \$0.06).

## 12. COMMITMENTS

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

	<u>As at March 31, 2021</u>
Less than one year	\$ 225,658
Between one and five years	-

During the period ended March 31, 2021 \$121,411 was expensed to general and administration and cost of services.

## 13. 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 the revenue earned in the various channels for the period ended March 31, 2021 and 2020 (see Note 3(f)).

## KILLI LTD. (Formerly Freckle Ltd.)

### Notes to the Unaudited Condensed Consolidated Interim Financial Statements

Years the three months ended March 31, 2021 and 2020

(in Canadian Dollars)

	Three months ended March 31,	
	2021	2020
Revenue from continued operations:		
Identity	\$ 60,678	\$ 15,035
Platform	62,790	-
Total revenue from continued operations:	123,468	15,035
Revenue from discontinued operations:		
Data & Segments	-	608,053
Digital	-	80,729
Search	-	443,088
Social	-	93,639
Total revenue from discontinued operations:	\$ -	\$ 1,225,509
Total revenue	\$ 123,468	\$ 1,240,544

By geographical location, the Company currently generates all its revenue from the US.

	Three months ended March 31,	
	2021	2020
Revenue from continued operations:		
US	\$ 123,468	\$ 15,035
Revenue from discontinued operations:		
US	-	1,191,814
Canada	-	33,695
Total Revenue from discontinued operations:	-	1,225,509
Total revenue	\$ 123,468	\$ 1,240,544

#### Major trade receivables

Trade receivables with specific customers, each with 10% or more of total Company trade receivables are summarized as follows:

	Three months ended March 31,	
	2021	2020
Customer 1	\$ 35,443	\$ -
Customer 2	31,808	-
Customer 3	12,599	-
Customer 4	-	449,236
Customer 5	-	204,198
Customer 6	-	197,436
Customer 7	-	133,234
Total revenue from major customers	\$ 79,850	\$ 984,104

## KILLI LTD. (Formerly Freckle Ltd.)

### Notes to the Unaudited Condensed Consolidated Interim Financial Statements Years the three months ended March 31, 2021 and 2020 (in Canadian Dollars)

#### 14. COST OF SERVICES

Cost of services for continuing operations are broken down as follows:

	Three months ended March 31,	
	2021	2020
Data Engineering	\$ 175,758	\$ -
Management Platforms	11,131	5,549
	<u>\$ 186,889</u>	<u>\$ 5,549</u>

Data engineering is comprised of salaries and benefits charged to cost of services for \$66,560 and \$109,198 for cloud hosting in the three months ended March 31, 2021 (three months ended March 31, 2020 – \$nil).

Cost of services for discontinued operations are broken down as follows:

	Three months ended March 31,	
	2021	2020
Location data	\$ -	\$ 155,575
Cross device matching services	-	167,998
Point of interest data	-	17,400
Other	-	13,496
	<u>\$ -</u>	<u>\$ 354,469</u>

#### 15. GENERAL AND ADMINISTRATIVE

General and administrative expenses for continuing operations are broken down as follows:

	Three months ended March 31,	
	2021	2020
Salaries, benefits and recruiting	\$ 147,074	\$ 268,078
Professional fees	120,577	185,887
Office and personnel	37,068	97,213
Establishments	8,118	57,654
Other	(2,717)	6,276
Foreign exchange gains/losses	(76,761)	827
	<u>\$ 233,359</u>	<u>\$ 615,935</u>

In general and administrative expense for the three months ended March 31, 2021, establishments reported is net of the \$11,721 CERS received (three months ended March 31, 2020 - \$nil).

General and administrative expenses for discontinued operations are broken down as follows:

	Three months ended March 31,	
	2021	2020
Foreign exchange gains/losses	\$ -	\$ (307,907)

## KILLI LTD. (Formerly Freckle Ltd.)

### Notes to the Unaudited Condensed Consolidated Interim Financial Statements

Years the three months ended March 31, 2021 and 2020

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#### 16. RESEARCH AND DEVELOPMENT

Research and Development expenses for continuing operations are broken down as follows:

	Three months ended March 31,	
	2021	2020
Salaries, benefits, contractors and recruiting	\$ 157,907	\$ 673,734
Licenses, dues and subscriptions	27,572	12,929
Cloud hosting, data processing and storage	19,544	23,421
Other	2,355	7,905
	<u>\$ 207,378</u>	<u>\$ 717,989</u>

Research and Development expenses for discontinued operations are broken down as follows:

	Three months ended March 31,	
	2021	2020
Cloud hosting, data processing and storage	\$ -	\$ 123,028

#### 17. SELLING AND BUSINESS DEVELOPMENT

Selling and business development expenses for continuing operations are broken down as follows:

	Three months ended March 31,	
	2021	2020
Salaries, commissions, benefits and contractors	\$ 274,276	\$ 102,623
Travel, meals and entertainment	12,233	4,850
Other	11,517	-
	<u>\$ 298,026</u>	<u>\$ 107,473</u>

Selling and business development expenses for discontinued operations are broken down as follows:

	Three months ended March 31,	
	2021	2020
Salaries, commissions, benefits and contractors	\$ -	\$ 451,724
Travel, meals and entertainment	-	135,118
Licensing, dues, subscriptions	-	12,392
Tradeshows and other promotion	-	1,048
Other	-	3,109
	<u>\$ -</u>	<u>\$ 603,391</u>

## KILLI LTD. (Formerly Freckle Ltd.)

Notes to the Unaudited Condensed Consolidated Interim Financial Statements  
Years the three months ended March 31, 2021 and 2020  
(in Canadian Dollars)

### 18. MARKETING

Marketing expenses for the company are broken down as follows:

	Three months ended March 31,	
	2021	2020
User acquisition and retention	\$ 237,297	\$ 59,311
Advertising and promotion	122,062	17,317
Salaries, benefits and contractors	98,313	17,035
Other	864	-
	<u>\$ 458,536</u>	<u>\$ 93,663</u>

### 19. PERSONNEL EXPENSES SUMMARY

Personnel expenses for the company are summarized as follows:

	Three months ended March 31,	
	2021	2020
Salaries	\$ 523,291	\$ 873,637
Benefits	72,311	105,005
Commissions	15,483	140,243
Share-based payments	9,156	20,839
	<u>\$ 620,241</u>	<u>\$ 1,139,724</u>

In personnel expense for the three months ended March 31, 2021, salaries reported is net of the \$154,108 CEWS received (three months ended March 31, 2020 - \$nil).

### 20. CASH FLOW INFORMATION

Net change in non-cash working capital items are comprised of:

	Three months ended March 31,	
	2021	2020
Trade and other receivables	\$ 113,467	\$ (270,110)
Prepaid expenses	(240,396)	(12,898)
Investment tax credit recoverable	-	-
Trade and other liabilities	276,613	63,561
Contract liabilities	-	(18,028)
	<u>\$ 149,684</u>	<u>\$ (237,475)</u>

Non-cash investing activities are as follows:

Consideration for disposal of business included in trade and other receivables of \$15,965 (three months ended March 31, 2019 - \$nil).

## KILLI LTD. (Formerly Freckle Ltd.)

### Notes to the Unaudited Condensed Consolidated Interim Financial Statements

Years the three months ended March 31, 2021 and 2020

(in Canadian Dollars)

#### 21. FINANCIAL INSTRUMENTS, RISKS AND CAPITAL MANAGEMENT

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			
	Credit	Liquidity	Market	
			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 March 31, 2021. 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.

## KILLI LTD. (Formerly Freckle Ltd.)

### Notes to the Unaudited Condensed Consolidated Interim Financial Statements Years the three months ended March 31, 2021 and 2020 (in Canadian Dollars)

On that basis, the loss allowance as at March 31, 2021, and December 31, 2020 was determined as follows for trade receivables:

Trade receivables (Note 5) 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 unaudited condensed consolidated interim 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 statements of loss and comprehensive loss. As of March 31, 2021, it was determined that an allowance for credit loss of \$2,194 (2020 – \$9,541) was required and wrote off uncollectible balances of \$nil (2020 – \$154,455).

#### *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 Company has considered the future impact of COVID-19 on the timing and collections of trade receivables. The Company will continually reassess the scope, duration, and impact on our customers to determine COVID-19's impact on liquidity and credit risk.

The following table details the Company's contractual maturities (including interest payments where applicable) for its financial liabilities as at March 31, 2021 and December 31, 2020:

	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
<b>As at March 31, 2021</b>					
<b>Trade and other liabilities</b>	\$ 1,108,582	-	-	-	\$1,108,582
<b>Loan Payable</b>	5,769	1,495	6,726	32,137	46,127
	<u>\$ 1,114,351</u>	<u>\$ 1,495</u>	<u>\$ 6,726</u>	<u>\$ 32,137</u>	<u>\$1,154,709</u>
<b>As at December 31, 2020</b>					
<b>Trade and other liabilities</b>	\$ 848,544	-	-	-	\$ 848,544
<b>Loan Payable</b>	5,769	11,539	11,748	34,379	63,435
	<u>\$ 854,313</u>	<u>\$ 11,539</u>	<u>\$ 11,748</u>	<u>\$ 34,379</u>	<u>\$ 911,979</u>

# **KILLI LTD. (Formerly Freckle Ltd.)**

## **Notes to the Unaudited Condensed Consolidated Interim Financial Statements Years the three months ended March 31, 2021 and 2020 (in Canadian Dollars)**

### *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, 2021, the Canadian entities US-dollar net monetary assets totaled approximately US - \$408,832 (CAD -\$514,066) (December 31, 2020, net monetary assets – US \$254,593 (CAD \$326,083) and the Company's United States subsidiaries US-dollar net liabilities totaled approximately US \$3,966 (CAD \$4,987) (2019 – US \$11,384 (CAD \$14,581)). A 10% strengthening in the Canadian dollar against the United States dollar as at March 31, 2021 would have increased comprehensive loss and decreased shareholder's equity by \$50,908 (2020 - \$32,608). 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. Prior to 2020, the Company's capital was composed of debt financing from the CEO and Founder's related company and external financings completed privately or utilizing the public capital markets. During the previous year the loans were converted to common shares while during 2020 the Company utilized the public capital markets to help manage working capital requirements. In upcoming years the Company will continue to utilize public capital markets until the Company reaches a maturity point whereby other capital such as debt financings may become available 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.

## **22. DISCONTINUED OPERATIONS**

On May 29, 2020, the Company finalized a definitive asset purchase agreement with PlaceIQ, Inc. ("PlaceIQ") for the sale of certain assets of the Company's offline attribution and data business for cash consideration of up to \$4,000,000. The total potential consideration of up to \$4,000,000 is the sum of the potential revenue share and revenue milestone amounts disclosed below.

The Company is entitled to a revenue share amount, calculated each calendar quarter, terminating April 1, 2022 based on revenue earned by the purchaser from the purchased business. The Company is further



## KILLI LTD. (Formerly Freckle Ltd.)

### Notes to the Unaudited Condensed Consolidated Interim Financial Statements Years the three months ended March 31, 2021 and 2020 (in Canadian Dollars)

entitled to revenue milestone amounts if certain aggregate revenue amounts are earned.

The Company has determined that no amount of variable consideration can be made reliably as management does not believe that it is highly probable that a revenue reversal would not occur. As such, the Company has recognized revenue on the sale based on actual revenue share amount earned to the end of March 31, 2021 in the amount of \$416,138, net of transaction costs of \$165,486.

The comparative results of the discontinued operations included in net loss for the year were as follows:

		Three months ended March 31,	
	Note	2021	2020
Revenue	14	\$ -	\$ 1,225,509
Cost of services	15	-	354,469
Gross margin		-	871,040
Expenses			
General and administrative	16	-	(307,907)
Research and development	17	-	123,028
Selling and business development	18	-	603,391
		-	418,512
(Loss) income from discontinued operations		\$ -	\$ 452,528

The following table presents the effect of the discontinued operations on the consolidated statement of cashflows:

	Three months ended March 31,	
	2021	2020
Cash (used in) provided by operating activities	\$ -	\$ (291,632)
Cash provided by financing activities	-	-
Cash provided by investing activities	-	-
Net cash outflow	\$ -	\$ (291,632)

There is no current tax expense with respect to the discontinued operations for the year ended March 31, 2021 (2020 - \$Nil)

### 23. SUBSEQUENT EVENT

Effective April 1, 2021, the Company consolidated outstanding common shares on the basis of five pre-consolidation common shares for one post consolidation share. No fractional shares will be issued on closing of the consolidation and each fractional share then remaining after the consolidation will be canceled. The Company currently has 336,296,001 common shares issued and outstanding. As of April 1, 2021, the Company will have approximately 67,259,200 post-Consolidation Common Shares issued and outstanding.