KILLI LTD. (formerly, Freckle Ltd.)

DATED: August 25, 2020

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

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

CAUTIONARY STATEMENT ON FORWARD-LOOKING STATEMENTS

The following MD&A contains forward-looking information and forward-looking statements. Except for statements of historical fact that addresses activities, events or developments that the Company believes, expects or anticipates will or may occur in the future, constitutes forward-looking statements. The Company cautions that this MD&A may contain forward-looking statements that involve a number of risks and uncertainties, including statements regarding the 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 Killi disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Readers should not place undue reliance on the Company's forward-looking statements.

OVERVIEW OF THE BUSINESS

Killi is a privacy-compliant identity ecosystem, available both online and as a mobile application on iOS and Android in the United States, Canada, Australia, Singapore and New Zealand 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.

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

Killi Product Highlights for Q2 2020

- Introduced the second and third passive earning opportunities for users to add to our Location Reward:
  - Financial Reward - Allows users to opt into sharing their financial transaction data; and,
  - Audience Reward – Enables users to share the seed data of their account profile.
- Successfully upgraded and improved the User Experience by launching a new application interface and ensuring Killi web reached parity with the Killi application to further enhance the scope of our existing user base.
- Introduced a user referral program to allow customers to socially share the Killi product.
- Integrated an additional third party survey provider which, on average, has a higher conversion rate when compared to previously integrated providers.
- Average Revenue Per User (ARPU) per month improved by 113% from Q4 2019 to Q2 2020, 1,156% from Q2 2019 to Q2 2020.
- Cost per Acquisition (CPA) per month increased by 71% from Q4 2019 to Q2 2020, 11% from Q2 2019 to Q2 2020.
- Customer Life Time Value increased by 553% from Q4 2019 to Q2 2020 and 144% from Q2 2019 to Q2 2020.

OBJECTIVES AND OUTLOOK

During the quarter the Company continued with its transformation into a leading identify control platform by executing on the implementation of two new dividend modules to allow users to be compensated for their data passively versus having to engage solely in surveys and videos. These new modules should improve the revenue earned by the consumer on a monthly basis (ARPU). In addition to the platform changes, we continued with focusing on improving the user experience to complement the additional earning opportunities and, with these two improvements together, should improve user retention and the lifetime value (LTV) of a user.

Now that the Company has established a clear path to earning opportunities for users and has created the distribution channels for the sale of this user data, in the immediate term, the Company will increase its focus on improving the cost of acquiring a user into the Killi platform (CPA). The Company will look to execute on strategic partnerships to ensure user addition programs are scalable and should allow the CPA to make a significant decrease on the cost of application scale programs associated with using traditional engines such as Google, Facebook, Twitter and others.

With the Company increasing its focus on scale and brand awareness we have established an estimated pathway to cashflow positive economics and meeting our goal of the lifetime value (LTV) of a user exceed the cost of acquiring a new user (CPA).

Corporately, the Company executed a number of transactions that allowed us to increase our focus on the growth of the Killi platform. Firstly, during the quarter the Company disposed of the Freckle business, by agreeing to finalized a definitive asset purchase agreement with PlaceIQ, Inc. (“PlaceIQ”) for the sale of all the assets of the Company’s offline attribution and data business for cash consideration of up to US$4,000,000, and, secondly, changing its name from Freckle Ltd. to Killi Ltd. and the Company’s ticker from “FRKL” to the symbol “MYID”.

In addition, the Company improved its financial position by completing a non-brokered private placement during the quarter whereby the Company issued 42,000,000 units at a price of $0.025 per unit for proceeds (net of legal fees) of $1,026,998. Each unit consists of one common share and one common share purchase warrant, with each warrant entitling a holder to acquire one common share at an exercise price of $0.05 for a period of 18 months from the issuance date.

Key goals for Q3 2020

- Introduce additional passive dividend modules to increase the focus of allowing consumers to have additional choices of what types of data they would like to share and be compensated for, including:
  - Browser Reward – Allows users to opt into sharing their browsing data via a Google Chrome extension and Ad Blocker;
  - Social Dividend – Allows users to share their data profiles from social platforms.
- Execute on user scale initiatives via one or more strategic partnerships in order to have a material increase in user base and decreasing any reliance on paid acquisitions,
- Distribute the first Audience Dividend upon the first sale of data via the major data buying platforms,
- Improve LTV by continuing with the improvements in user experience and interface,
- Increase the ARPU of Killi customers further reducing the disparity between CPA and LTV, and,
- Commence with the uplisting application of the Company's stock listing in the USA from the "Gray Sheets" to the OTCQB.

SUMMARY OF FINANCIAL AND OPERATING RESULTS

Selected Financial Information

	Three months ended June 30,		**Six months ended June 30,**	
	2020	2019	**2020**	2019
Revenue	**$ 10,252**	$ 9,006	**$ 25,287**	$ 11,929
Cost of Services	**2,022**	-	**7,571**	-
Gross Margin	**8,230**	9,006	**17,716**	11,929
General and administrative	**414,890**	2,480,269	**1,084,979**	2,835,804
Research and development	**417,354**	634,976	**1,134,908**	1,190,819
Selling and business development	**79,802**	-	**187,275**	-
Marketing	**66,786**	399,713	**160,450**	700,104
Income (loss) from discontinued operations	**(441,893)**	(458,189)	**73,578**	(495,780)
Total comprehensive loss for the year	**$ (1,276,051)**	$ (3,916,800)	**$ (2,621,992)**	$ (5,124,415)

a) Revenue

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

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	**2020**	2019
Revenue from continued operations:				
Data	**$ 10,252**	$ 9,006	**$ 25,287**	$ 11,929
Revenue from discontinued operations:				
Data & Segments	**-**	201,464	**617,179**	400,741
Digital	**-**	178,199	**80,729**	429,390
Search	**-**	60,298	**443,088**	268,382
Social	**-**	270,684	**93,639**	419,400
Out-of-home	**-**	35,964	**-**	53,152
Total revenue from discontinued operations:	**-**	**746,609**	**1,234,636**	**1,571,065**
Total revenue	**$ 10,252**	$ 755,615	**$ 1,259,923**	$ 1,582,994

The Company's total revenue decreased by 20% for the six months ended June 30, 2020. This was due to the definitive asset purchase agreement with PlaceIQ. Although the Company no longer measures the effectiveness of advertising as it relates to the discontinued operations, the small 20% decrease in total revenue was due to a strong first quarter.

The Company's revenue from continued operations increased by 112% for the six months ended June 30, 2020. This was largely due to additional earning opportunities the Company has been able to integrate into the application.

b) Cost of Services/Gross Margin

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

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	**2020**	2019
Management Platforms	**$ 2,022**	$ -	**$ 7,571**	$ -

There are no direct costs associated with collecting location data for data sales. The cost of services for the six months ended June 30, 2020 included costs associated with running surveys with our strategic partners. During the six months ended June 30, 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 June 30,		Six months ended June 30,	
	2020	2019	**2020**	2019
Location data	**$ 110,082**	$ 146,236	**$ 265,658**	$ 302,856
Cross device matching services	**13,898**	141,870	**181,896**	215,016
Point of interest data	**24,210**	-	**41,610**	-
Other	**11,264**	136,638	**24,760**	227,866
	$ 159,455	$ 424,744	**$ 513,924**	$ 745,738

For the six months ended June 30, 2020 the Company's discontinued operations cost of services has decreased by 31%. The Company was previously supporting PlaceIQ during the transition period but will now be ramping down all cost of services associated with discontinued operations.

Gross margin for continued operations are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	**2020**	2019
Revenue	**$ 10,252**	$ 9,006	**$ 25,287**	$ 11,929
Cost of Services	**2,022**	-	**7,571**	-
Gross Margin	**$ 8,230**	$ 9,006	**$ 17,716**	$ 11,929
Gross Margin %	**80%**	100%	**70%**	100%

For the three months ended June 30, the Company has improved margins by 10% when compared to YTD. There are no costs associated with the third-party market research companies, the cost of services comes from the revenue share with the users. The increase in margin can largely be attributed to the Company fine tuning the revenue model to optimize user retention.

Gross margin for discontinued operations are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	**2020**	2019
Revenue	**$ -**	$ 746,609	**$ 1,234,636**	$ 1,571,065
Cost of Services	**159,455**	424,744	**513,924**	745,738
Gross Margin	**$ (159,455)**	$ 321,865	**$ 720,712**	$ 825,327
Gross Margin %	**0%**	43%	**58%**	53%

For the three months ended June 30, 2020, the Company's discontinued operations has stopped generating revenue. The Company has ramped stopped acquiring location data and only contracts that were not transitioned to PlaceIQ remains.

c) General and administrative

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

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	**2020**	2019
Salaries, benefits and recruiting	**$ 235,192**	$ 193,632	**$ 485,072**	$ 354,132
Professional fees	**146,460**	103,701	**332,347**	188,044
Establishments	**39,630**	57,241	**97,284**	91,625
Office and personnel	**56,372**	29,906	**233,765**	63,883
Foreign exchange gains/losses	**(22,892)**	43,638	**32,187**	82,105
Loss on Sale	**21,643**	-	**21,643**	-
Government Grant Income	**(63,525)**	-	**(63,525)**	-
Other	**7,411**	2,052,151	**(50,440)**	2,056,015
Interest income	**(5,401)**	-	**(3,355)**	-
	$ 414,890	$ 2,480,269	**$ 1,084,979**	$ 2,835,804

General and administrative expenses decreased 81% (YTD 2020 – decreased 59%) from Q2 2019 to Q2 2020.

Salaries, benefits and recruiting increased 21% (YTD 2020 – 37%) from Q2 2019 to Q2 2020. The increase is largely due to the hiring of additional staff, including a full time CFO.

Professional fees have increased 41% (YTD 2020 – 77%) from Q2 2019 to Q2 2020. The increase in due to increased legal fees, capital markets advisors, and hiring a new PR firm.

Establishment expenses decreased 31% (YTD 2020 – increased 6%) from Q2 2019 to Q2 2020. The decrease in expenses is directly related to terminating the New York Lease and to the Canadian Emergency Commercial Rent Assistance program.

Office and personnel expenses increased 88% (YTD 2020 – 266%) from Q2 2019 to Q2 2020. due to writing off bad debts and accounting for estimated credit losses.

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

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

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 June 30,		Six months ended June 30,	
	2020	2019	**2020**	2019
Salaries, benefits, contractors and recruiting	**$ 468,034**	$ 578,322	**$ 1,141,768**	$ 1,085,359
Cloud hosting, data processing and storage	**25,630**	29,013	**48,615**	54,257
Licenses, dues and subscriptions	**11,619**	18,595	**24,549**	32,957
Government Grant Income	**(99,932)**	-	**(99,932)**	-
Other	**12,003**	9,045	**19,908**	18,246
	$ 417,354	$ 634,976	**$ 1,134,908**	$ 1,190,819

Research and development expenses decreased 19% (YTD 2020 – increased 4%) from Q2 2019 to Q2 2020.

Salaries, benefits, contractors and recruiting decreased 19% (YTD 2020 – increased 5%). 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 greatly decreased outsourced development costs, relying more on full-time staff .

Cloud hosting, data processing and storage decreased 12% (YTD 2020 – 10%) from Q2 2019 to Q2 2020. 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.

e) Selling and Business Development

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

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	**2020**	2019
Salaries, commissions, benefits and contractors	**$ 78,186**	$ -	$ 180,810	$ -
Travel, meals and entertainment	**306**	-	5,156	-
Other	**1,309**	-	1,309	-
	$ 79,802	$ -	**$ 187,275**	$ -

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

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

f) Marketing

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

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	**2020**	2019
Advertising and promotion	**$ 9,367**	$ 127,266	**$ 26,684**	$ 244,547
User acquisition and retention	**40,329**	185,328	**99,640**	302,378
Salaries, benefits and contractors	**20,389**	83,749	**37,122**	147,594
Government Grant Income	**(3,388)**	-	**(3,388)**	-
Other	**89**	3,370	**392**	5,585
	$ 66,786	$ 399,713	**$ 160,450**	$ 700,104

Marketing expenses decreased by 83% (YTD 2020 – 77%) from Q2 2019 to Q2 2020.

Salaries decreased by decreased by 93% (YTD 2020 – 89%) from Q2 2019 to Q2 2020. This is mainly due to reduced staff in the marketing department.

User acquisition and retention decreased by 78% (YTD 2020 – 67%) from Q2 2019 to Q2 2020. 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.

CASH FLOWS

The Company's cash position was $1,063,044 on June 30, 2020 compared to $6,265,040 on June 30, 2019.

	Six months ended June 30,	
	2020	2019
Cash flows used in operating activities before working capital	**$ (2,385,658)**	$ (3,110,265)
Changes in working capital	**211,928**	(57,907)
Cash flows used in operating activities	**(2,173,730)**	(3,168,172)
Cash flows from financing activities	**1,021,868**	9,215,918
Cash flows from (used in) investing activities	**(3,546)**	-
Foreign currency translation difference	**(145,675)**	86,163
Increase (decrease) in cash	**$ (1,301,082)**	$ 6,133,909

Operating activities:

Cash spent on operating activities decreased by 31% when compared to the same period last year. This decrease is largely due to the listing costs incurred in 2019.

ACCOUNTING POLICIES

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

Leases

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

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

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

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

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

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

CRITICAL JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

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

RISK FACTORS AND UNCERTAINTIES

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

a) Evolving Business Model

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

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

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

c) Future Capital Needs

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

d) Limited Operating History

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

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

e) Limited Operating History

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

f) Foreign Exchange Exposure

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

g) Jurisdictional Risks

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

h) Allegations of Intellectual Property Infringement

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

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

i) Misappropriation of Killi's IP

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

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

j) Failure to Protect Platform

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

k) Market Price Fluctuation

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

l) Privacy Regulations

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

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

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

m) Cybersecurity

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

n) Errors or Defects in Software

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

o) Dependence on Strategic Relationships with Third Parties

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

p) Failure to Add New Users

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

q) Reliance on Key Customers

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

r) Need to Manage Growth

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

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

s) Limited Market for Securities

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

t) Significant Holdings by Limited Number of Existing Shareholders

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

u) Dependency on Key Personnel

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

v) COVID-19 Outbreak

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

SHARE CAPITAL

The company had the following outstanding:

	As at June 30, 2020	As at December 31, 2019
Common shares	**258,521,909**	216,521,909
Warrants	**58,691,477**	14,708,377
Stock Options	**7,207,183**	7,819,850

As of June 30, 2020, the Company had 258,521,909 shares, 58,691,477 warrants and 7,207,183 stock options of which 4,690,850 were exercisable. This includes the 42,000,000 shares that were issued during the private placement.

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 June 30, 2020. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the credit worthiness for current and future customers and the GDP and unemployment rate of the countries in which the Company sells goods into to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at June 30, 2020, and June 30, 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 June 30, 2020, it was determined that an allowance for credit loss of $48,178 (2019 – 35,163) was required and wrote off uncollectible balances of $141,928 (2019 – $22,511).

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by continuously monitoring forecasts and actual cash flows and taking the necessary actions to maintain enough liquidity for operations and for growth objectives.

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

	Not later than one month	Later than one month and not later than three months	Later than three months and not later than one year	Later than one year and not later than five years	Total
As at June 30, 2020					
Trade and other liabilities	**$ 1,264,253**	**-**	**-**	**-**	**$1,264,253**
Loan Payable	**$ 747**	**1,495**	**6,726**	**38,864**	**$ 47,832**
	$ 1,265,000	**$ 1,495**	**$ 6,726**	**$ 38,864**	**1,312,085**
As at December 31, 2019					
Trade and other liabilities	$ 1,309,726	-	-	-	$1,309,726
Loan Payable	747	1,495	6,726	43,348	$ 52,316
	$ 1,310,473	$ 1,495	$ 6,726	$ 43,348	$1,309,726

Market risk

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

The Company operates internationally with a subsidiary in the United States. The Company is, therefore, subject to foreign currency risk. The Company reports its financial results in Canadian dollars. Most of the Company's revenues are transacted in U.S. currency. The Company incurs expenses in both Canadian and

U.S. dollars. To date, the Company has not used foreign currency forward contracts or other hedging strategies to manage its foreign currency exposure.

As at June 30, 2020, the Canadian entities US-dollar net monetary assets totaled approximately US $193,675 (CAD $263,941) (December 31, 2019 – US $264,163 (CAD $343,095) and the Company's United States subsidiaries US-dollar monetary net liabilities totaled approximately US $103,858 (CAD $167,645) (2019 – US $82,932 (CAD $107,712)). A 10% strengthening in the Canadian dollar against the United States dollar as at June 30, 2020 would have increased comprehensive loss and decreased shareholder's equity by $12,240 (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 June 30, 2020
Less than one year	$ 362,722
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 six months ended June 30, 2020 the funding provided was nil (six months ended June 30, 2019 - $624,087). On February 28, 2019 $8,225,383 was converted to common shares at a rate of $0.20 and $624,087 was converted at the same rate on April 22, 2019.

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

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	**2020**	2019
Salaries and benefits	**$ 89,754**	$ 505,608	**$ 227,488**	$ 620,552
Stock based compensation	**9,246**	71,612	**22,561**	79,115
Board fees and related stock based compensation	**385**	-	**385**	-
Total key management compensation	**$ 99,385**	$ 577,220	**$ 250,434**	$ 699,667

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 $109,366 for the three months ended June 30, 2019, and $185,011 for the six months ended June 30, 2019, previously included in cost of services were reclassified to selling and business development on the statement of loss and comprehensive loss as these costs are not directly linked to current period sales.

MANAGEMENT'S STATEMENT OF RESPONSIBILITY

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