



Unaudited Condensed Consolidated Interim Financial Statements
Freckle Ltd. (formerly Knol Resources Corp.)
As at September 30, 2019
(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 indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of Freckle Ltd. (formerly Knol Resources Corp.) 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.

Freckle Ltd. (formerly Knol Resources Corp.)

Unaudited Condensed Consolidated Interim Statements of Financial Position

As at September 30, 2019 and December 31, 2018

(in Canadian Dollars)

	Note	September 30, 2019	December 31, 2018
Assets			
<i>Current Assets</i>			
Cash		\$ 4,157,942	\$ 131,131
Trade and other receivables	4	1,169,014	833,163
Investment tax credit recoverable		-	188,109
Prepaid expenses		330,393	102,099
<i>Total current assets</i>		<u>\$ 5,657,349</u>	<u>\$ 1,254,502</u>
<i>Non Current Assets</i>			
Furniture and equipment, net	5	34,190	34,212
<i>Total assets</i>		<u>\$ 5,691,539</u>	<u>\$ 1,288,714</u>
Liabilities and Shareholders' Deficit			
<i>Current Liabilities</i>			
Trade and other liabilities	6	\$ 1,321,177	\$ 1,208,231
Contract liabilities	4	40,765	7,688
Related party demand loan	7	-	8,225,383
<i>Total current liabilities</i>		<u>\$ 1,361,942</u>	<u>\$ 9,441,302</u>
<i>Shareholder's equity (deficit)</i>			
Share capital	8,9	\$ 21,014,079	\$ 2,124,637
Warrants	8,9	1,212,669	712,117
Contributed surplus	10	356,292	156,820
Cumulative translation adjustment		(24,344)	(86,181)
Deficit		(18,229,099)	(11,059,981)
<i>Total Shareholders' equity (deficit)</i>		<u>4,329,597</u>	<u>(8,152,588)</u>
<i>Total Shareholders' equity (deficit) and liabilities</i>		<u>\$ 5,691,539</u>	<u>\$ 1,288,714</u>
Commitments	11		

The notes are an integral part of these unaudited condensed consolidated interim statements

Approved on behalf of the Shareholders:

Neil Sweeney, CEO & Founder

John Farlinger, Chair of Audit Committee

Freckle Ltd. (formerly Knol Resources Corp.)

Unaudited Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

Three and nine months ended September 30, 2019 and 2018

(in Canadian Dollars)

		Three months ended September 30,		Nine months ended September 30,	
	Note	2019	2018	2019	2018
Revenue	12	\$ 862,723	\$ 835,103	\$ 2,445,717	\$ 2,246,029
Cost of Services	13	<u>228,751</u>	<u>228,070</u>	<u>761,751</u>	<u>719,354</u>
		<u>633,972</u>	<u>607,033</u>	<u>1,683,966</u>	<u>1,526,675</u>
Expenses					
Research and development	14	962,982	846,860	2,408,906	2,788,069
Selling and business development	15	766,591	744,198	2,045,331	1,996,951
General and administrative	16	532,786	351,441	3,368,590	948,171
Marketing	17	<u>330,153</u>	<u>163,949</u>	<u>1,030,257</u>	<u>173,960</u>
		<u>2,592,512</u>	<u>2,106,448</u>	<u>8,853,084</u>	<u>5,907,151</u>
Loss from operating activities		(1,958,540)	(1,499,415)	(7,169,118)	(4,380,476)
Other comprehensive gain (loss) for the period					
Foreign currency translation differences		(24,326)	22,723	61,837	21,341
Total comprehensive loss for the period		<u>(1,982,866)</u>	<u>(1,476,692)</u>	<u>(7,107,281)</u>	<u>(4,359,135)</u>
Net earnings (loss) per share					
Basic	18	(0.01)	(0.01)	(0.04)	(0.04)
Diluted	18	(0.01)	(0.01)	(0.04)	(0.04)

The notes are an integral part of these unaudited condensed consolidated interim statements

Freckle Ltd. (formerly Knol Resources Corp.)

Unaudited Condensed Consolidated Interim Statements of Changes in Equity

Nine months ended September 30, 2019 and 2018

(in Canadian Dollars)

	Note	Number of Common Shares	Share Capital	Warrants	Contributed Surplus	Cumulative translation adjustment	Accumulated Deficit	Total Surplus (Deficiency)
Balance as at January 1, 2018		100,000,000	100	-	2,511	(12,397)	(5,626,955)	(5,636,741)
Issuance of share capital related to the two private placements		14,304,627	2,145,694	715,231				2,860,925
Share issuance costs			(67,939)	(22,647)				(90,586)
Broker/Finder Warrants				3,938				3,938
Share-based compensation					81,817			81,817
Net earnings and comprehensive income						21,341	(4,380,476)	(4,359,135)
Balance as at September 30, 2018		<u>114,304,627</u>	<u>2,077,855</u>	<u>696,522</u>	<u>84,328</u>	<u>8,944</u>	<u>(10,007,431)</u>	<u>(7,139,782)</u>
Balance as at January 1, 2019		114,629,627	2,124,637	712,117	156,820	(86,181)	(11,059,981)	(8,152,588)
Issuance of share capital related to the private placement	8,9	7,500,000	1,125,000	375,000				1,500,000
Shares issued on conversion of the subscription receipts	8,9	25,145,000	5,029,000					5,029,000
Issuance of share capital and options as part of the Reverse Takeover	8,9	24,999,932	5,000,000		52,423			5,052,423
Share issuance costs	8,9		(1,114,028)	(97,120)				(1,211,148)
Broker/Finder Warrants	8,9			222,672				222,672
Conversion of related party loan	7	44,247,350	8,849,470					8,849,470
Share-based compensation	10				147,049			147,049
Net earnings and comprehensive income						61,837	(7,169,118)	(7,107,281)
Balance as at September 30, 2019		<u>216,521,909</u>	<u>21,014,079</u>	<u>1,212,669</u>	<u>356,292</u>	<u>(24,344)</u>	<u>(18,229,099)</u>	<u>4,329,597</u>

The notes are an integral part of these unaudited condensed consolidated interim statements

Freckle Ltd. (formerly Knol Resources Corp.)

Unaudited Condensed Consolidated Interim Statements of Cash Flows

Nine months ended September 30, 2019 and 2018

(in Canadian Dollars)

		Nine months ended September 30,	
	Note	2019	2018
CASH PROVIDED BY (USED IN):			
Operating activities			
Net loss		\$ (7,169,118)	\$ (4,380,476)
Adjustments to net loss:			
Amortization of property and equipment		11,965	10,103
Listing costs	8	2,001,116	-
Share-based compensation	10	147,049	81,817
Net change in non-cash operating working capital	19	(230,013)	184,505
Net cash flows from operating activities		<u>(5,239,001)</u>	<u>(4,104,051)</u>
Financing activities			
Issuance of demand loans	7	624,087	1,323,644
Issuance of share capital, net costs	8,9	8,301,162	2,077,755
Issuance of warrants, net issuance costs	8,9	290,669	696,522
Cash flows from financing activities		<u>9,215,918</u>	<u>4,097,921</u>
Investing activities			
Purchase of Property, Plant and Equipment, net	5	<u>(11,943)</u>	<u>(29,861)</u>
Foreign currency translation differences		<u>61,837</u>	<u>21,341</u>
NET INCREASE IN CASH		4,026,811	(14,650)
CASH , BEGINNING OF PERIOD		131,131	64,964
CASH , END OF PERIOD		<u>\$ 4,157,942</u>	<u>\$ 50,314</u>

The notes are an integral part of these unaudited condensed consolidated interim statements

FRECKLE LTD. (formerly Knol Resources Corp.)

**Notes to the Unaudited Condensed Consolidated Interim Financial Statements
For the nine months ended September 30, 2019 and 2018
(in Canadian Dollars)**

1. CORPORATE INFORMATION

Freckle Ltd. (“Freckle”, the “Company”), formerly Knol Resources Corp. (“Knol”), was incorporated on January 14, 1997 pursuant to the ABCA as 723765 Alberta Ltd. On February 5, 1998, Knol filed articles of amendment to change its name to Charger Petroleums Inc. pursuant to a certificate of amendment dated September 16, 1998, the articles of Knol were amended to delete the ‘private company’ provisions contained therein. On July 23, 1999, Knol changed its name to Charger Energy Inc. pursuant to a certificate of amendment filed on April 11, 2003, Knol changed its name to Arapahoe Energy Corporation and consolidated its outstanding common shares at a 10:1 ratio. On February 6, 2004, Knol amalgamated with Crazy Horse Energy Inc. and continued under the name Arapahoe Energy Corporation. On January 3, 2008, Knol’s name was changed 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, Knol 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, Knol cancelled its common shares, non-voting shares and class A preferred shares and authorized the issue of an unlimited number of Knol Shares and an unlimited number of Knol Preferred Shares. On March 8, 2013, Knol 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 (Note 8) and was subsequently renamed Freckle Ltd. and will continue as an OBCA corporation. The Company’s common shares resumed trading on the TSX Venture Exchange (the “TSXV”) under the symbol “FRKL” on June 19, 2019.

Freckle’s main service is ‘multi-touch, offline attribution’, which is a service that measures an advertisement’s effectiveness in driving online traffic towards a desired location. The Company’s proprietary cross device solution supports all advertising mediums including mobile, desktop, social, radio, search, TV and out of home. Using opted-in data, Freckle helps brands measure the effectiveness of their advertising by independently matching media spend to in-store visits while remaining media agnostic. Freckle’s wholly owned subsidiary Killi Inc. (formerly named The Orchard Data Co. Ltd.) was incorporated in 2016 and launched in 2018, is a consumer application currently available in North America that is a data management platform and surveyor secured by blockchain whereby users opt in to sell their survey responses and first-party data to data purchasers, namely, advertisers, brands, market researchers, banks, and data management platforms.

The address of the Company’s corporate office is 400-409 King Street West, Toronto, Ontario, M5V 1K1.

2. GOING CONCERN UNCERTAINTY

These unaudited condensed consolidated interim financial statements have been prepared on a going concern basis. The going concern basis of presentation assumes the Company will continue to operate

FRECKLE LTD. (formerly Knol Resources Corp.)

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2019 and 2018

(in Canadian Dollars)

for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. During the nine months ended September 30, 2019, the Company incurred a net loss of \$7,169,118 (2018 - \$4,380,476) and negative cash flows from operations of \$5,239,001 (2018 - \$4,104,051). In addition, the Company has an accumulated deficit of \$18,229,099 (December 31, 2018 - \$11,059,981).

The above factors raise significant doubt about the Company's ability to continue as a going concern. 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 over the next twelve months, 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. Failure to obtain additional financing results in material uncertainties that 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 unaudited condensed consolidated interim 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Statement of compliance

These unaudited condensed consolidated interim financial statements ("Financial Statements") are expressed in Canadian dollars and have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). The unaudited condensed consolidated interim financial statements do not include all of the information required in annual financial statements in accordance with International Financial Reporting Standard (IFRS), and should be read in conjunction with the annual financial statements of the Company for the year ended December 31, 2018 and December 31, 2017, which have been prepared in accordance with IFRS and are included in the filing statement posted on SEDAR. In the opinion of management, these condensed interim consolidated financial statements reflect all adjustments considered necessary for a fair presentation of the Company's financial position and results of operations for the periods presented. The results of

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Notes to the Unaudited Condensed Consolidated Interim Financial Statements For the nine months ended September 30, 2019 and 2018 (in Canadian Dollars)

operations for any interim period are not necessarily indicative of the results for a full year. All intercompany accounts and transactions have been eliminated.

In preparing these unaudited condensed consolidated interim financial statements, Management makes judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgments made by Management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2018.

On November 6, 2019, the Company's Board of Directors approved these unaudited condensed consolidated interim financial statements and authorized them for issue.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value, as explained in the accounting policies set out in Note 3.

(c) Basis of consolidation

The financial statements include the accounts of Freckle Ltd. and its subsidiaries. The chart below summarizes the entities included in the financial statements as at September 30, 2019:

Entity Name	Place of Incorporation	Ownership	Functional Currency
Freckle Ltd.	Ontario		Canadian dollars
Freckle I.O.T. Ltd	Ontario, Canada	Wholly owned subsidiary of Freckle Ltd.	Canadian dollars
Killi Inc. (formerly Orchard Data Co. Ltd.)	Ontario, Canada	Wholly owned subsidiary of Freckle I.O.T. Ltd	Canadian dollars
Freckle I.O.T. USA Inc.	Delaware, USA	Wholly owned subsidiary of Freckle I.O.T. Ltd	United States dollars

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.

Commencing January 1, 2019, the Company's accounting policy under IFRS 16 is as follows:

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.

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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 a vehicles and 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 or are of low dollar value.

4. TRADE AND OTHER RECEIVABLES

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

Trade other receivables consists of billings for revenue earned and input taxes receivable.

	As at September 30, 2019	As at December 31, 2018
Trade accounts receivable, gross	\$ 1,095,874	\$ 833,163
Input tax receivable	73,140	-
	\$ 1,169,014	\$ 833,163

Trade receivables past due but not impaired can be shown as follows:

	As at September 30, 2019	As at December 31, 2018
1- 60 days past due	\$ 598,008	\$ 552,751
Greater than 60 days part due	257,012	222,913
	\$ 855,020	\$ 775,664

Management considers that the above-stated financial assets, including those 1-60 days and greater than 60 days, are of good credit quality. See Note 20 for a discussion of the Company's credit risk management activities.

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

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Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2019 and 2018

(in Canadian Dollars)

The amounts recognized in the consolidated statements of financial position relating to contractual liabilities are determined as follows:

	As at September 30, 2019	As at December 31, 2018
Progress billings	\$ 2,453,406	\$ 2,769,569
Contract liabilities recognized (deferred) in the period	33,076	346,163
Less: Aggregate amount of revenue recognized for all contracts in progress	2,445,717	3,108,044
Contract liabilities	\$ 40,765	\$ 7,688

5. FURNITURE AND EQUIPMENT

	Computer Equipment	Furniture	Total
Cost:			
At December 31, 2017	\$ 32,899	\$ 8,619	\$ 41,518
Additions	27,511	973	28,484
Disposals	(1,556)	-	(1,556)
At December 31, 2018	\$ 58,854	\$ 9,592	\$ 68,446
Additions	11,943	-	11,943
Disposals	-	-	-
At September 30, 2019	\$ 70,797	\$ 9,592	\$ 80,389
Accumulated amortization:			
At December 31, 2017	\$ 20,934	\$ 1,431	\$ 22,365
Amortization	10,034	1,835	11,869
At December 31, 2018	\$ 30,968	\$ 3,266	\$ 34,234
Amortization	10,525	1,440	11,965
At September 30, 2019	\$ 41,493	\$ 4,706	\$ 46,199
Carrying amounts:			
At December 31, 2018	\$ 27,886	\$ 6,326	\$ 34,212
At September 30, 2019	\$ 29,304	\$ 4,886	\$ 34,190

6. TRADE AND OTHER LIABILITIES

	As at September 30, 2019	As at December 31, 2018
Trade payables	\$ 872,809	\$ 856,741
Accrued liabilities	448,368	351,490
	\$ 1,321,177	\$ 1,208,231

FRECKLE LTD. (formerly Knol Resources Corp.)

Notes to the Unaudited Condensed Consolidated Interim Financial Statements For the nine months ended September 30, 2019 and 2018 (in Canadian Dollars)

7. RELATED PARTY TRANSACTIONS & KEY MANAGEMENT COMPENSATION

The following is a summary of related party transactions that occurred during the:

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Funds received from the Shareholder ⁽ⁱ⁾	-	488,983	624,087	1,323,644
Salaries and taxable benefits ⁽ⁱⁱ⁾	68,748	33,094	131,246	46,248
Stock based compensation ⁽ⁱⁱⁱ⁾	3,443	-	3,443	-
Expense reimbursements (advances)	-	-	-	(6,232)

⁽ⁱ⁾ The CEO and Founder has provided funding in the form of convertible demand loans. On February 28, 2019, \$8,225,383 of the balance was all converted to common shares at a rate of \$0.20, with the remaining \$624,087 being converted on April 22, 2019.

⁽ⁱⁱ⁾ The Company provides a salary and leased automobile to the CEO and Founder.

⁽ⁱⁱⁱ⁾ The Company issued 50,000 options to the CEO & Founder as part of his Board compensation, the options expire in 5 years, immediately vest and expire 30 days after the Board position is vacated.

Compensation for key management personnel, outside of the CEO and Founder listed above, was as follows for the period:

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Salaries and benefits	404,470	116,827	1,025,022	116,827
Share based compensation	34,609	18,772	113,724	18,772
Total key management compensation	439,079	135,599	1,138,746	135,599

8. REVERSE TAKEOVER AND PRIVATE PLACEMENT TRANSACTIONS

On June 14, 2019, the Company completed a three-cornered amalgamation among the Company, Freckle I.O.T. Ltd. and a wholly owned subsidiary of the Company incorporated solely for the purpose of completing the amalgamation, resulting in Freckle I.O.T. Ltd. becoming a direct, wholly owned subsidiary of the Company (the "Reverse Takeover" or "RTO"). The amalgamation constituted a reverse acquisition of the Company by Freckle I.O.T. Ltd. (being the legal subsidiary) as the accounting acquirer.

Pursuant to the terms of the Agreement:

- On completion of the RTO, the Company changed its name to Freckle Ltd.
- The Company's pre-RTO share capital was consolidated on the basis of 2.2278588 pre-consolidation shares for each new share in the Resulting Issuer (the "Consolidation");
- Each issued and outstanding common share of Freckle I.O.T. Ltd. was cancelled and replaced with one common share of the Freckle Ltd.; and
- All share purchase options and warrants in Freckle I.O.T. Ltd. and post-Consolidation options in the Company are exercisable for common shares in Freckle Ltd.

The cost of the of the RTO was determined as follows:

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Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2019 and 2018

(in Canadian Dollars)

Fair value of share-based consideration (24,999,932 shares at \$0.20)	5,000,000
Cash	(3,050,000)
Trade and other receivables	(38,994)
Trade and other liabilities	37,687
Stock options (583,519 options)	52,423
<u>Listing Costs</u>	<u>2,001,116</u>

Without significant operating activities, the Company did not meet the accounting definition of a business pursuant to IFRS 3, *Business combinations*, and the Transaction was accounted for as an acquisition of the net assets of the Company by Freckle I.O.T. Ltd. in exchange for shares in the Resulting Issuer under IFRS 2, *Share-based payments*. The excess of the fair value of the consideration provided over the net assets received was expensed in the current period as part of transaction costs. For accounting purposes, these Financial Statements reflect a continuation of the financial position, operating results and cash flows of the Company's legal subsidiary, Freckle I.O.T. Ltd.

In connection with the RTO, the Company issued, by way a joint brokered private placement financing (the "Brokered Financing") a total of 25,145,000 subscription receipts (the "Subscription Receipts"). The Subscription Receipts were sold in two tranches on March 28, 2019 and April 15, 2019 for \$0.20 per Subscription Receipt for total gross proceeds of \$5,029,000. Each Subscription Receipt was converted, at no additional cost, into one common share in the Resulting Issuer upon completion of the Transaction.

As part of the March 28, 2019 tranche Freckle I.O.T. Ltd. issued directly 7,500,000 shares and 7,500,000 warrants to certain investors for gross proceeds of \$1,500,000 that came directly to Freckle I.O.T. Ltd. on that date. The terms, commission and other fees were consistent with the Subscription Receipts financing. The costs were proportionately allocated to share capital and warrants based on the fair value of the investment.

In addition to the transaction costs above, upon the completion of the above transactions the following additional costs were incurred and deducted from equity: cash fees of \$521,620 (7% (3.5% for certain investors) of funds raised in the private placements and an advisory fee of \$125,000), legal fees of \$466,856 and the brokers received a total of 1,983,100 Compensation Warrants (7% (3.5% for certain investors) of shares issued in the private placements) fair valued at \$222,672 (see note 9 for the valuation assumptions). The costs were proportionately allocated to share capital and warrants based on the fair value of the investment.

9. 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:

FRECKLE LTD. (formerly Knol Resources Corp.)

Notes to the Unaudited Condensed Consolidated Interim Financial Statements For the nine months ended September 30, 2019 and 2018 (in Canadian Dollars)

September 30, 2019

	Number of Shares	Share Price
Balance as of January 1, 2019	114,629,627	
Conversion of related party demand loan ¹	44,247,350	0.20
Issuance pursuant to private placement March 28, 2019 ²	7,500,000	0.15
Issuance pursuant to the conversion of the subscription receipts ²	25,145,000	0.20
Issuance pursuant to the reverse takeover transaction ²	24,999,932	0.20
Balance as of September 30, 2019	216,521,909	

¹Includes the February 28, 2019 conversion of \$8,225,383 at \$0.20 per share and April 22, 2019 conversion of \$624,087 at \$0.20 per share.

²Transaction costs include 7% (3.5% to certain investors) cash commission of \$396,620, which \$383,495 was allocated to share capital, advisor fee of \$125,000 of which \$117,500 was allocated to share capital, compensation warrants fair value costs of \$222,672, of which \$209,883 was allocated to share capital and legal costs of \$466,856 of which \$403,148 was allocated to share capital.

December 31, 2018

	Number of Shares	Share Price
Balance as of January 1, 2018	100,000,000	-
Issuance pursuant to private placement April 17, 2018 ¹	9,625,000	0.15
Issuance pursuant to private placement September 28, 2018 ²	4,679,627	0.15
Issuance pursuant to private placement December 31, 2018 ³	325,000	0.15
Balance as of December 31, 2018	114,629,627	

¹Transactions costs include of 7% cash commission on certain investments totalling \$15,750 of which \$11,813 was allocated to share capital, 7% warrant commission on certain investments equating to 78,750 warrants valued at \$3,938 of which \$2,954 was allocated to share capital and legal costs totalling \$32,747 of which \$24,559 was allocated to share capital.

²Transactions costs include allocated legal costs of \$28,682.

³Transactions costs include allocated legal costs of \$1,899.

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Warrants issued and outstanding:

	<u>September 30, 2019</u>			
	Number of Share Warrants	Weighted average exercise Price	Fair value	Expiry date
Balance as of January 1, 2019	14,708,377	\$0.30	\$735,419	
Issuance pursuant to private placement March 28, 2019 ¹	7,500,000	0.30	375,000	March 28, 2021
Compensations warrants issuance pursuant to the conversion of subscription receipts and private placement ²	1,983,100	0.20	222,672	June 14, 2021
Balance as of September 30, 2019	24,191,477	\$0.29	1,333,091	

¹Transaction 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 \$.50 for 30 consecutive days on any Canadian market, following which the warrants will expire if not exercised within 30 days.

²These warrants were issued as part of the transactions described in note 9 and expire 24 months after issuance.

	<u>December 31, 2018</u>			
	Number of Share Warrants	Weighted average exercise Price	Fair Value	Expiry date ⁴
Balance as of January 1, 2018	-	-	-	
Issuance pursuant to private placement April 17, 2018 ¹	9,625,000	\$0.30	\$481,250	April 17, 2020
Commission warrants issuance pursuant to private placement April 17, 2018 ¹	78,750	0.30	3,938	April 17, 2020
Issuance pursuant to private placement September 28, 2018 ²	4,679,627	0.30	233,981	September 28, 2020
Issuance pursuant to private placement December 31, 2018 ³	325,000	0.30	16,250	December 31, 2020
Balance as of December 31, 2018	14,708,377	\$0.30	\$735,419	

¹ Transactions costs include of 7% cash commission on certain investments totalling \$15,750 of which \$3,937 was allocated 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.

²Transactions costs include allocated legal costs of \$9,561.

³Transactions costs include allocated legal costs of \$632.

⁴The 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 \$.50 for 30 consecutive days on any Canadian market, following which the warrants will expire if not exercised within 30 days.

The below assumptions were used to value the warrants issued:

	<u>June 14, 2019</u>	March 28, 2019	April 17, 2018	September 28, 2018	December 31, 2018
Weighted average share price	\$0.20	\$0.15	\$0.15	\$0.15	\$0.15
Expected life, in years	2	2	2	2	2
Volatility ¹	108%	106%	106%	106%	106%
Risk free interest rate	1.46%	1.80%	1.92%	2.19%	1.91%
Dividend yield	-	-	-	-	-

¹The volatility is based on comparable public companies within comparable industries.

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10. STOCK OPTION PLAN

The stock option plan is applicable to employees 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 CEO. 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. The CEO has the right to modify vesting periods at the time of option grant. There were 2,753,519 options issued in the nine months ended September 30, 2019 (3,389,501 in the nine months ended September 30, 2018) to employees and contractors. The compensation expense related to options issued to employees and contractors for the nine months ended September 30, 2019 is \$126,528 (Nine months ended September 30, 2018 - \$81,817). The Company may issue up to 10% of common shares outstanding as options under its stock option plan.

	<u>September 30, 2019</u>		
	<u>Number of Options</u>	<u>Weighted average exercise price</u>	<u>Weighted average fair value</u>
Outstanding, January 1, 2019	6,983,000	\$0.14	\$952,669
Granted	2,903,519	0.16	464,563
Exercised	-	-	-
Forfeited	(2,346,667)	0.22	(516,167)
Outstanding, September 30, 2019	7,539,852	\$0.12	904,782

	<u>December 31, 2018</u>		
	<u>Number of Options</u>	<u>Weighted average exercise price</u>	<u>Weighted average fair value</u>
Outstanding, January 1, 2018	2,496,999	\$0.06	\$149,820
Granted	5,879,501	0.18	1,043,600
Exercised	-	-	-
Forfeited	(1,393,500)	0.19	(264,765)
Outstanding, December 31, 2018	6,983,000	\$0.14	952,669

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

	<u>2019</u>	<u>2018</u>
Weighted average share price	\$0.14-\$0.20	\$0.15
Expected life, in years	1-5	5
Volatility	108%-110%	106%
Risk free interest rate	1.46%-1.58%	1.77% - 2.34%
Anticipated forfeiture	0%-40%	25%
Dividend yield	-	-

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The maximum term of the options is 5 years. The share price is the fair value of the shares based on the latest round of financing. The volatility is based on comparable public companies within comparable industries.

The following table summarizes information about stock options as at September 30, 2019:

<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	2,908,000	2.98	1,551,333
0.15	1,260,000	4.01	105,000
0.18	583,519	0.70	583,519
0.20	2,461,667	3.28	641,667
0.30	326,666	2.84	140,000
\$0.05-\$0.30	7,539,852	3.07	3,021,519

The following table summarizes information about stock options as at December 31, 2018:

<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	2,908,000	3.73	928,666
\$0.15	1,260,000	4.76	105,000
\$0.20	2,000,000	4.56	66,667
\$0.25	75,000	4.78	-
\$0.30	705,000	4.57	68,333
\$0.35	35,000	4.78	-
\$0.05-\$0.35	6,983,000	4.26	1,168,666

The weighted average exercise price was \$0.12 as of September 30, 2019 (December 31, 2018 - \$0.08).

11. COMMITMENTS

The Company has a non-cancellable contracts for rent, cost of services and a leased automobile, the commitments are as follows:

	<u>As at</u> <u>September 30, 2019</u>
Less than one year	\$ 80,593
Between one and five years	-

During the nine months ended September 30, 2019 \$437,985 was expensed to general and administration, cost of services and wages and benefits.

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12. REVENUE

The Company receives revenue for providing reporting and segments about brands to enhance their customers' advertising and determine its effectiveness.

The Company's strategy is to measure the effectiveness of advertising in all channels, including digital (mobile and desktop), social, out-of-home, search, data & segments. The following chart shows the breakdown of the revenue earned in the various channels for :

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Digital	\$ 205,810	\$ 523,528	\$ 618,481	\$ 1,528,635
Search	182,216	128,299	611,605	241,882
Social	93,368	104,468	361,750	252,625
Data & Segments	377,979	57,868	797,379	100,892
Out-of-home	3,350	20,940	56,502	121,995
Total revenue	\$ 862,723	\$ 835,103	\$ 2,445,717	\$ 2,246,029

Geographical revenue

The Company reports its revenue by geographical location of its customers.

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
US	\$ 783,672	\$ 552,555	\$ 2,109,983	\$ 1,448,689
Canada	79,051	269,467	335,734	768,537
Mexico and Latin America	-	13,081	-	28,803
Total revenue	\$ 862,723	\$ 835,103	\$ 2,445,717	\$ 2,246,029

Major customers

Revenues from specific clients, each with 10% or more of total Company revenues, are summarized as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Customer 1	\$ 208,548	\$ -	\$ 649,534	\$ -
Customer 2	119,268	82,882	368,437	247,654
Customer 3	115,941	-	312,088	-
Customer 4	84,783	118,857	307,121	397,449
Customer 5	144,504	-	144,504	-
Customer 6	-	141,268	-	437,823
Customer 7	-	93,710	-	283,022
Total revenue major customers	\$ 673,044	\$ 436,717	\$ 1,781,684	\$ 1,365,948

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Major trade receivables

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

	As at September 30, 2019	As at December 31, 2018
Customer 1	\$ 274,573	\$ 181,512
Customer 2	158,884	173,571
Customer 3	144,319	-
Customer 4	132,403	-
Customer 5	-	103,746
Total major trade receivables	\$ 710,179	\$ 458,829

13. COST OF SERVICES

Cost of services for the Company are broken down as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Location data	141,662	\$ 165,559	444,517	\$ 552,421
Cross device matching services	77,807	\$ 46,845	292,823	\$ 139,716
Other	9,282	\$ 15,666	24,411	\$ 27,217
	\$ 228,751	\$ 228,070	\$ 761,751	\$ 719,354

14. RESEARCH AND DEVELOPMENT

Research and development expenses for the Company are broken down as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Salaries, benefits, contractors and recruiting	\$ 727,747	\$ 648,998	\$ 1,813,106	\$ 2,371,447
Cloud hosting, data processing and storage	\$ 200,744	174,773	510,106	389,368
Licensing, dues, subscriptions	\$ 25,193	19,012	58,150	21,963
Other	\$ 9,298	4,077	27,544	5,291
	\$ 962,982	\$ 846,860	\$ 2,408,906	\$ 2,788,069

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15. SELLING AND BUSINESS DEVELOPMENT EXPENSES

Selling and business development expenses for the Company are broken down as follows:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2019	2018	2019	2018
Salaries, benefits and recruiting	\$ 578,242	\$ 499,886	\$ 1,554,130	\$ 1,278,386
Travel, meals and entertainment	145,151	142,284	376,941	366,008
Professional services	29,741	53,484	49,803	189,178
Licensing, dues, subscriptions	7,538	9,037	27,011	21,235
Tradeshows and other promotion	5,867	33,478	22,091	119,825
Other	52	6,029	15,355	22,319
	<u>\$ 766,591</u>	<u>\$ 744,198</u>	<u>\$ 2,045,331</u>	<u>\$ 1,996,951</u>

16. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative fees for the Company are broken down as follows:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2019	2018	2019	2018
Salaries, benefits and recruiting	\$ 296,707	\$ 151,436	\$ 650,839	\$ 417,052
Professional fees	137,675	68,271	325,719	240,462
Listing fees	-	-	2,047,427	-
Foreign exchange gains/losses	(23,668)	29,661	58,437	41,275
Establishments	57,506	44,026	149,131	125,877
Office and personnel	60,213	47,664	124,096	109,148
Other	4,353	10,383	12,941	14,357
	<u>\$ 532,786</u>	<u>\$ 351,441</u>	<u>\$ 3,368,590</u>	<u>\$ 948,171</u>

17. MARKETING

Marketing expenses for the Company are broken down as follows:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2019	2018	2019	2018
Advertising and promotion	\$ 109,375	\$ 32,372	\$ 353,921	\$ 41,566
User acquisition and retention	156,026	32,878	458,404	32,878
Salaries, benefits and recruiting	62,745	98,557	210,340	98,557
Other	2,007	142	7,592	959
	<u>\$ 330,153</u>	<u>\$ 163,949</u>	<u>\$ 1,030,257</u>	<u>\$ 173,960</u>

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18. LOSS PER SHARE

	Nine months ended September 30,	
	2019	2018
Weighted average number of common shares outstanding	173,845,472	105,908,490
Additions to reflect the dilutive effect of employee stock options and warrants	-	-
Adjusted denominator for diluted loss per share	173,845,472	105,908,490

Options and warrants that are anti-dilutive were not included in the compilation of diluted common shares for the nine months ended September 30, 2019. 2,746,519 (December 31, 2018 – 1,168,666) vested stock options and 24,191,477 (December 31, 2018 – 14,708,377) warrants were excluded from the calculations because they were anti-dilutive.

19. CASH FLOW INFORMATION

	Nine months ended September 30,	
	2019	2018
Trade and other receivables	\$ (335,851)	\$ (383,028)
Deferred financing costs	-	-
Prepaid expenses	(228,294)	24,145
Investment tax credit recoverable	188,109	258,716
Trade and other liabilities	112,946	50,838
Contract liabilities	33,077	233,834
	\$ (230,013)	\$ 184,505

During the period ended September 30, 2019 the Company converted \$8,849,470 of the related party demand loan for 44,247,350 common shares of the Company for no further cash consideration.

20. 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.

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	Risks		Market	
	Credit	Liquidity	Foreign Exchange	Interest Rate
Cash	Yes		Yes	
Trade receivables	Yes		Yes	
Trade and other liabilities		Yes	Yes	
Related party demand loan		Yes		

Financial Instruments and Currency Risk

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

	As at September 30, 2019		
	CAD	USD	Total
Financial assets:			
Financial assets at amortized cost			
Cash	\$ 4,115,299	\$ 42,643	\$ 4,157,942
Trade receivables	166,247	929,627	1,095,874
Total financial assets	\$ 4,281,546	\$ 972,269	\$ 5,253,816

Financial liabilities			
Financial liabilities at amortized cost			
Trade and other liabilities	\$ 355,096	\$ 966,081	\$ 1,321,177
Total financial liabilities	\$ 355,096	\$ 966,081	\$ 1,321,177

	As at December 31, 2018		
	CAD	USD	Total
Financial assets:			
Financial assets at amortized cost			
Cash	\$ 124,969	\$ 6,162	\$ 131,131
Trade receivables	68,746	764,417	833,163
Total financial assets	\$ 193,715	\$ 770,579	\$ 964,294

Financial liabilities			
Financial liabilities at amortized cost			
Trade and other liabilities	\$ 319,828	\$ 888,403	\$ 1,208,231
Related party demand loan	8,225,383	-	8,225,383
Total financial liabilities	\$ 8,545,211	\$ 888,403	\$ 9,433,614

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A 10% weakening against the Canadian dollar against US dollar would have had the following effects (a 10% strengthening against the US dollar would have had the opposite effect):

	As At		As At
	September 30, 2019	December 31, 2018	
USD	\$ (619)	\$	11,782

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 due. The expected loss rates are based on the payment profiles of sale over a period of 24 months before September 30, 2019. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the credit worthiness for current and future customers and the GDP and unemployment rate of the countries in which the Company sells goods into to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at September 30, 2019, December 31, 2018 was determined as follows for trade receivables:

Trade receivables (Note 4) 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 in general and administrative expenses. 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 statement of loss and comprehensive loss. As of September 30, 2019, it was determined that no allowance for credit loss was required.

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Liquidity risk

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

The following table details the Company's contractual maturities (including interest payments where applicable) for its financial liabilities as at September 30, 2019 and December 31, 2018:

	Not later than one month	Later than one month and not later than three months	Later than three months and not later than one year	Later than one year and not later than five years	Total
As at September 30, 2019					
Trade and other liabilities	\$ 1,321,177	-	-	-	\$ 1,321,177
	<u>\$ 1,321,177</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,321,177</u>
As at December 31, 2018					
Trade and other liabilities	\$ 1,208,231	-	-	-	\$ 1,208,231
	<u>\$ 1,208,231</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,208,231</u>

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.

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 revenue 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.

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21. 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 \$212,635 for the nine months ended September 30, 2019 (\$56,183 for the nine months ended September 30, 2018), previously included in cost of sales 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.